صندوق الاستثمار الفلسطيني
Palestine Investment Fund
نستثمر لمستقبل أبنائنا

ANNUAL REPORT 2015

CONTENTS

MESSAGE OF THE PRESIDENT OF PALESTINE

“Palestine Investment Fund has constituted an actual translation on the ground - by achievements and not slogans – of the necessity of Palestinian steadfastness and state building. Our national struggle towards freedom and independence is characterized by multiple fronts; the most important of which is the double front of providing the foundations of steadfastness and a decent life for our people, in synchronization with the front of building a solid foundation for the future upcoming Palestinian state. Within this framework, and through its achievements, aspirations and strategic plans, Palestine Investment Fund managed to formulate the milestones of this difficult and complex path. I look forward to witnessing the implementation of these ambitious plans focused on infrastructural investments, providing energy security and natural resources, investing in the construction and agricultural sectors and contributing to building the economy of our eternal capital Jerusalem. These are essential steps towards reunifying the key components of the Palestinian economy built on an administrative and financial system that is based on transparency and high standards of governance. On this basis, and in praise and appreciation for all the exerted efforts to accomplish these strategic goals, I would like to express my utmost gratitude to PIF’s Board of Directors, its executive management and all of its employees for their dedication, commitment and great work characterized with a high level of professionalism. I would like to note our great pride in the Palestinian workforce and capabilities which reflect the capacities of our great people.”

Mahmoud Abbas
President of Palestine

MESSAGE OF CHAIRMAN OF The BOARD OF DIRECTORS

The Palestinian economy is going through a particularly critical period; exacerbated by a deepening political impasse with no political horizon in sight. This is primarily caused by a continued Israeli intransigence; and an escalating settlement onslaught in Jerusalem and the rest of the West Bank, in addition to the ongoing blockade of the Gaza Strip. Under such exogenous pressure; Palestine is bound to witness a marked decline in overall economic performance indicators. The prospects for the upcoming period do not seem encouraging, and this situation might continue as the hallmark for a longer period ahead. This calls for the formulation of a pertinent national strategy that factors all such pressures and realities; while prudently preparing for the future period.

Despite the significant role played by the Palestine Investment Fund (PIF) in recent years and its evident contribution in the process of development via its investments in a number of vital projects, the Fund is bound to play an even more important role in the upcoming period due to the enormous challenges faced by the Palestinian economy both as a result of the political impasse and the underlying economic repercussions. In fact, had there not been a Palestine Investment Fund in the past years; there would have been an urgent need to establish it now; to act as a national enabler for achieving economic independence as a prelude to the political independence of the State of Palestine.

Ladies and Gentlemen;

PIF managed to realize numerous achievements of great significance in the past year highlighted by the Fund's full membership in the International Forum of Sovereign Wealth Funds (IFSWF), whose members include approximately 72 sovereign investment institutions from all continents. This represents a practical witness to the Fund's commitment to financial, investment and administrative prudence, as well as the principles of good governance and transparency. This also comes in support to the Palestinian diplomatic moves seeking the joining of various international organizations and institutions; and it also affirms the independent legal personality of PIF as a sovereign fund.

In the year 2015, the PIF developed new strategic investment portfolios in different vital sectors, therefore directly and indirectly contributing to the creation of much needed job opportunities.

Dr. Mohammad Mustafa
Chairman of the Board of Directors

With regard to the energy sector, the Palestine Investment Fund launched an ambitious strategy that focuses on investing in this important sector and aims to effectively contribute to the provision of Energy Security to Palestine on a number of levels, starting from the utilization of natural resources and establishing an infrastructure serving the national Palestinian needs, all the way to substituting major energy products; mainly imports from Israel with locally-made products. For this purpose, PIF founded a company at the end of 2015 called "Massader Company for Developing Natural Resources and Infrastructure Projects" to lead this vital strategy; thus becoming the umbrella of all PIF investments in the field of Energy and Infrastructure.

In this context, the "Palestine Power Generating Company" (PPGC), with 40% of ownership for PIF, is actively continuing its efforts to complete the needed plans for establishing PPGC's Plant in the Jenin governorate; with plans of using natural gas; achieving significant progress. The size of investment in this plant is expected to reach $620 million U.S. for generating 400 Megawatts of electricity, which in turn will cover a main component of Palestinian electricity needs. PPGC signed a Memorandum of Understanding with the Development Company to enter into serious negotiations to provide needed volumes of gas for operating the northern plant; from gas to be eventually extracted from the Palestinian gas field offshore Gaza.

Moreover, PIF launched an ambitious program for the generation of electricity based on solar energy, including a program for financing solar panels to generate electricity on the roof tops of houses, facilities and public buildings with a value of $50 million U.S.; with a productive capacity of 35 Megawatts. This will provide an opportunity for having a series of plants for generating electricity on a commercial basis, increasing the investment value offer. Furthermore, and in partnership with the Palestinian Private sector, the PIF had achieved a main milestone by obtaining a license from the government to drill for oil in the West Bank.

The Gaza Strip remains a top priority, and therefore the PIF attaches great importance to the subject of electricity through the sustained efforts of the government to transform the energy generation plant to enable its functioning with natural gas, providing the required infrastructure for this transition. Additionally, the PIF is on the verge to invest in the field of Water and Water Desalination in the Gaza Strip in light of the dual urgent need for electricity and water in the southern governorates amidst the extreme need for such services among the people of Gaza.

In the field of Real Estate, 2015 witnessed the inauguration of the "Amaar Tower" and the "Consolidated Contractors Company-CCC Tower" which are the first towers of despite

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the "Al-Ersal Business Center"; a premier real estate development project operated by the Amaar Company; the Real Estate sector arm of the PIF. The work was done in cooperation with a group of financial institutions and local developers such as the Quds Bank, Bank of Palestine, Consolidated Contractors Company "CCC", Jerusalem District Electricity Company; "JDECO", in addition to Al-Nabali & Al-Faris and other local developers. Following its completion, the "Al-Ersal Business Center" will include 11 towers extending over an area of 58 dunums.

Moreover, Amaar Company and its partners completed the first phase of developing the Jericho Agro-Industrial

Park (JAIP) extending over an area of 115 dunums, which hosts now about 40 industrial companies. The company started preparing for the second phase extending over an area of 145 dunums in the coming five years. JAIP will also see the provision of about 112 industrial facilities which will benefit industrial, agricultural and commercial projects. Currently, the implementation work of the Moon City project, extending over an area of 550 dunums of land, is approaching its end; having remarkable success with the selling of development rights to sub-developers.

After having completed the construction of all the independent apartments and residential units in the Al-Reehan suburb, which were handed over in a semi-complete state to their owners, the Al-Reehan suburb constitutes a model; a master class in development; urban and investment projects. The project was successful in attracting investments in a number of sectors; such as health, education, higher education and tourism. Recently, the opening of the "Istishari Arab Hospital" was an important step, ushering the start of provision of medical services and the operation of clinics for patients. This is a landmark project, a pride in the health achievement at the national level. We are also pleased for the joining of the Postgraduate Studies campus of the Arab American University to the community at Al-Reehan, in addition to establishing the first American model school in Palestine as well; enhancing the Academic offer at Al-Reehan. These projects are expected to stimulate the economic cycle providing thousands of job opportunities.

In the construction sector, "Sanad Construction Industries Company" achieved remarkable progress in building plants and warehouses for strategic storage and the filling and packing of Cement in the city of Jericho, scheduled to open before the end of the year 2016. Ongoing preparations are under way for the building of a Cement mill which will have an annual production capacity of one million tons of Cement. There have been some tangible steps to start building the first Cement factory in Palestine. Moreover, Sanad launched the "Bunyan" program with the aim of making investments for the purpose of developing the Construction Industries sector and related products in partnership with the Private sector.

PIF also recorded several important achievements in other sectors, including telecommunications, banking and health sectors. PIF continued to operate portfolio investments through the ASWAQ Company for Investment Portfolios; and the Sharakat Company geared to contribute to the development and expansion of a number of promising companies. Sharakat succeeded in enhancing its partnerships with microcredit and microfinancing institutions in order to reach small & medium enterprises in marginalized areas. Currently, the PIF is preparing to launch a youth employment program through Sharakat and the Palestinian Development Foundation (PDF).

In relation to East Jerusalem, the PIF focuses on investing in a number of strategic sectors; including the housing sector, tourism sector, SMEs, soft loans program, and the youth. These investments provide support to the resilience of the holy city and the creation of job opportunities for many of its residents. PIF will multiply its efforts to expand its Jerusalem activities in 2016 and the following years.

With regard to PIF's financial results, in spite of the difficult economic situation; the PIF managed to achieve positive financial results in 2015. The PIF's profit before tax amounted to $37.6 million U.S. and about $36 million U.S. after tax, while $22 million U.S. were distributed as dividends to the shareholders, thus reaching a total amount of approximately $928 million U.S. in transferred to the State Treasury in the form of dividends, taxes and fees by the end of 2015.

We believe that the Palestine Investment Fund (PIF) has reached to a position of distinction; which makes it incumbent upon it to play an even greater role in confronting the current challenges facing our national economy; in support of national leadership and in efforts of achieving political freedom from the occupation and fermenting the solid economic basis of our independence and statehood. Based on the incremental attainments of the Fund on various levels, the PIF formulated an integrated strategy that aims to consolidate the capacity of the Palestinian economy and develop its infrastructure.

The priorities of this strategy are summarized through the following:

First, to invest in developing the infrastructure of our national economy and attain the highest possible level of energy and water security; especially in the Gaza Strip.

Second, to invest in productive sectors that enable the creation of additional job opportunities and increase the rates of growth, in addition to reducing the level of dependency on the Israeli economy; and particularly in the sectors of Agriculture and Industry.

Third, to contribute to supporting and building the economy of the governorate of Jerusalem by investing in strategic economic projects in the holy city.

As part of its implementation of this strategy, the PIF's Board of Directors adopted a new hierarchy which was based on directing and guiding its specialized companies towards the achievement of these objectives.

In the field of Infrastructure, the "Massader Company for Developing Natural Resources and Infrastructure Projects", a subsidiary of the PIF, will implement several investments in Energy-related sectors; and this includes investing in the generation of electricity through conventional and renewable methods, utilization of natural resources; especially water, gas and petroleum. Moreover, the Amaar Company will develop large tracts of land for residential and commercial purposes.

In the field of productive sectors, the "Sanad Construction Industries Company" and ASWAQ Company, , will invest in productive sectors which are of substantial importance to the Palestinian economy such as the Construction Industries sector which is currently being developed through Sanad, as well as the sectors of Food Production, Agriculture and Services. Sharakat is currently developing these sectors by investing in a number of companies operating in such sectors, especially the services sector that has a high added value (technology, health and tourism). These sectors are given a great degree of priority due to their ability to effectively contribute towards realizing high growth rates and job creation.

As for the enhancement of the Jerusalem economy, PIF will continue developing an enhanced investment portfolio that contributes to creating an effectively qualitative transformation in the city's economy; strengthening its ability to confront the policies of isolating it from the rest of Palestinian governorates.

Ladies and Gentlemen,

Social Responsibility constitutes to be an integral part of the PIF mission and ongoing commitment towards the Palestinian community. This responsibility occupies a portion of the PIF's investment in the Palestinian human capital for the purpose of improving the quality and level of life of the Palestinian people both internally and externally. Through the Palestinian Development Foundation, the PIF implemented several initiatives, including the "My Project Starts with an Idea" program which encourages the youth to engage in the job market during their university days by initiating the development of their own businesses from a mere idea all the way to a real-life enterprise. Additionally; The “Jerusalem Grant Facility” program which was launched in the beginning of 2014. A program for supporting Palestinian refugee camps in Lebanon, and other programs. There was the financing of 1,300 enterprises as of the end of 2015 in

five different economic sectors. The PIF is also proud of the role it plays in the Loan Guarantee Facilitythat was implemented in partnership with a number of international financing institutions and banks operating in Palestine. This program has helped finance more than 1,000 projects and provided approximately 16 thousand jobs with a total value exceeding $146 million U.S.

In conclusion, I would like to express my utmost gratitude to His Excellency, President Mahmoud Abbas, for wisdom; guidance, and continued support for the Palestine Investment Fund; its related projects and management teams. I would like to thank the members of the PIF’s Board of Directors and General Assembly for their continued support. We would like to extend our gratitude to the executive management and all the employees of PIF for their dedication, commitment and hard work to achieve the mission objectives of the Palestine Investment Fund, effectively making this Fund a lever for growth and economic independence in Palestine.

Yours,

Dr. Mohammad Mustafa

Chairman of the Board

In relation to East Jerusalem, the PIF focuses on investing in a number of strategic sectors; including the housing sector, tourism sector, SMEs, soft loans program, and the youth. These investments provide support to the resilience of the holy city and the creation of job opportunities for many of its residents. PIF will multiply its efforts to expand its Jerusalem activities in 2016 and the following years.

85%

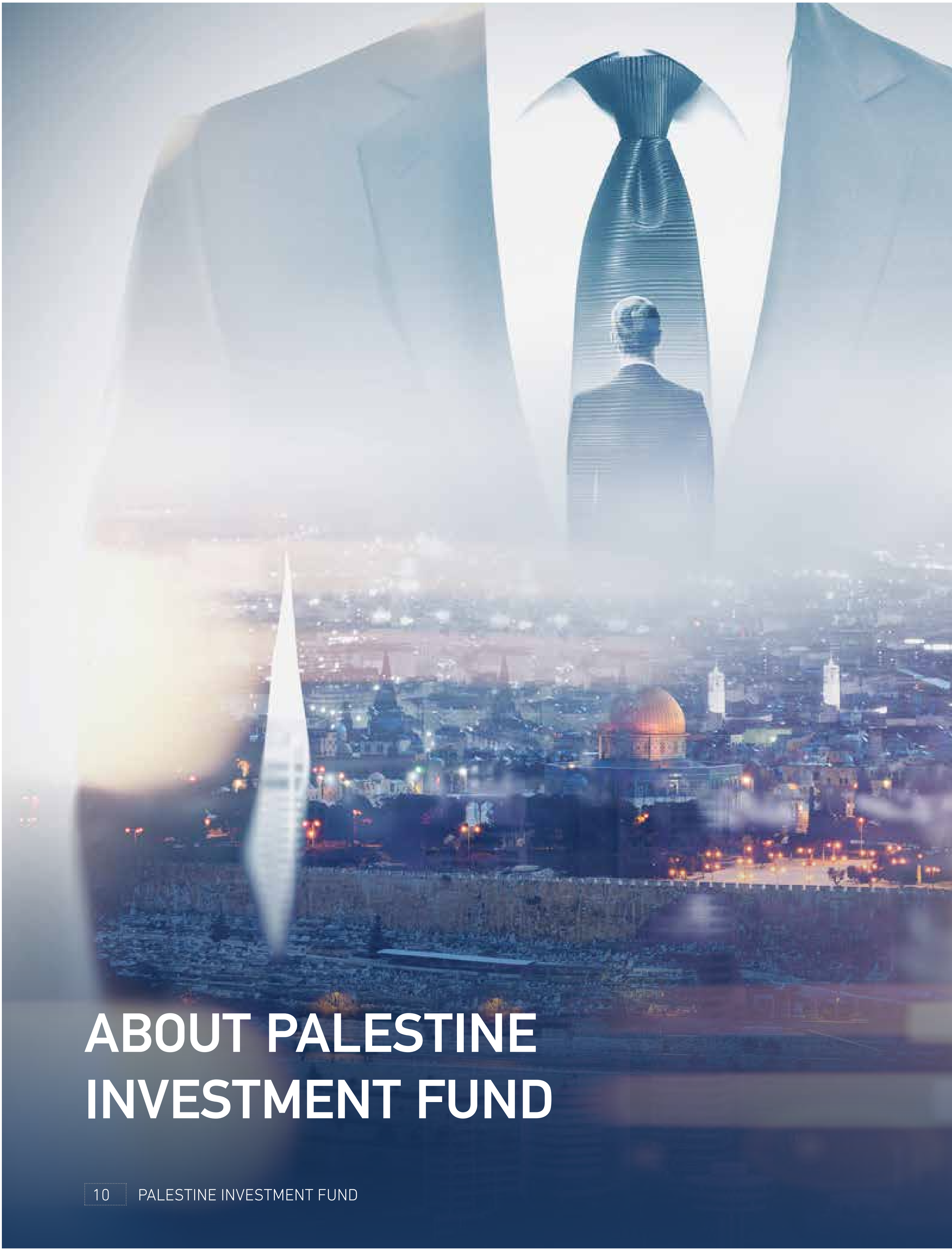
of PIF’s Investment Portfolio is inside Palestine

$798.6

million were PIF’s total assets at the end of 2015

$928

million is the total amount of profits, taxes and fees which were transferred to the state’s treasury since 2003



ABOUT PALESTINE INVESTMENT FUND

صندوق الاستثمار الفلسطيني
Palestine Investment Fund
نستثمر لمستقبل أبنائنا

Palestine Investment Fund

Is the national sovereign fund of the State of Palestine and strives to develop the country's national assets and resources for the purpose of achieving national economic empowerment guided by a vision and a work philosophy, premised on the best values and business practice.

Palestine Investment Fund was established in 2003 as an independent public limited company.

The Mission

The mission of the Palestine Investment Fund is to contribute to the building of a strong, independent and vibrant national economy as one of the pillars of the future Palestinian state, and to promote its ability to attract investments. It also aims to empower the Palestinian private sector and to enhance its leading role.

The Palestine Investment Fund aims to achieve its tasks by making strategic investments in feasible and socially-responsible developmental projects which are capable of creating jobs and consolidating sustainable growth in strategic and vital national sectors.

OUR VALUES

- Integrity and Transparency
- Social Responsibility and Social Investments
- Governance and Best Practices
- Accountability
- Creativity at Work
- Diversity and Team Spirit (“Esprit de Corps”)

$36 million the net Income for the year 2015

About Palestine Investment Fund

PIF was established in 2003 as a public shareholding company which enjoys financial, administrative and legal independence within the framework of the Financial Reform Programme of the Palestinian National Authority. PIF's operations are governed by the approval Article Association and the Companies Law.

Palestine Investment Fund Full Membership in the International Forum of Sovereign Wealth Funds (IFSWF)

In March 2015, PIF obtained full membership in the International Forum of Sovereign Wealth Funds (IFSWF) whereas it participated for the first time under this title in the Seventh Annual IFSWF meeting held in Milan, Italy in the period between 29 September – 1 October 2015. Palestine Investment Fund obtained this membership as a result of harmonizing its operations systems with the adopted and implemented principles of the IFSWF which are called "The Santiago Principles", formulated under the sponsorship and support of the International Monetary Fund (IMF). Hence, PIF is representing Palestine in this important international forum.

The Santiago Principles specify the standards and best practices pertaining to sovereign funds. These standards are divided into three groups: standards and related to the legal framework which govern the funds operations and their financial and administrative independence, clarity of goals adherence to economic policies; standards related to institutional building and the governance structure; and standards pertaining to the investment mechanism and risk management operations.

$944 million is the Total Net Income achieved from 2003 to 2015

Certificate of Full Membership in the International Forum of Sovereign Wealth Funds (IFSWF)

IFSWF

International Forum of Sovereign Wealth Funds

Certificate of Membership

This is to certify that the institution named below is a Member of IFSWF Limited

Palestine Investment Fund

Presented on 29 September 2015 in Milano

Bader M. Al Saad
IFSWF Chair

Adrian Orr
IFSWF Deputy Chair

GOVERNANCE

PIF believes that the implementation of the good governance principles in Palestinian companies is critical and an essential element to enhance the stability of these companies and their continued success in achieving long-term growth.

The success of the PIF's investments and subsidiaries and the achievement of sustainability depends on the investment-related performance, as well as the professionalism and credibility of its operations. PIF is not only committing to all Palestinian laws, but, also, its main aim is to follow the leading corporate governance practices in order for it to be a leader in this field on both regional and international levels.

PIF's governance structure is based on four pillars:

- The General Assembly
- Board of Directors
- Internal and External Auditing
- Policies and Procedures that are developed in accordance with the best practices, competent and professional human capital

PIF maintains its commitment to the governance and transparency principles through a set of standards which it is committed to implement, including:

- The audit Committee of the Board of Directors and the continued cooperation with the financial and administrative monitoring bureau.
- The internal audit unit and its cooperation with an international Auditing firm (Deloitte) which presents its reports to the audit committee of the Board of Directors.
- Independent external auditing firm (Ernst & Young) which presents its report to the Board of Directors and General Assembly to ensure adherence to the international accounting standards and principles.
- In accordance with the international standards and practices, PIF has adopted a set of policies and procedures which govern its activities

"Proud to say, all PIF's employees is a Palestinian workforce"

The Board of Directors

PIF Board of Directors is comprised of 11 members from the various segments of Palestinian society such as the Palestinian business sector, academia, civil society organizations and regulatory bodies. The Board of Directors term is three years, and a member cannot assume this position for more than three consecutive terms.

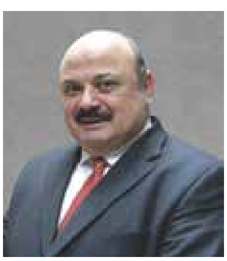
THE BOARD OF DIRECTORS

Dr. Mohammad Mustafa
Chairman of the Board of Directors

Dr. Mohammad Mustafa is currently the Chairman of the Board of Directors of the Palestine Investment Fund (PIF). Previously, he held the position of Deputy Prime Minister and the Minister of National Economy in the 17th Palestinian government, and Deputy Prime Minister for Economic Affairs in the 15th and 16th Palestinian governments. He holds a Doctorate and Master's Degree in Management and Economy from George Washington University in the United States, and a Bachelor's Degree in Engineering from Baghdad University. Dr. Mohammad Mustafa also held some senior positions at the World Bank and a number of leading regional and local companies, as well as investment funds.

Mr. Maher Al-Masri

Mr. Al-Masri is the current Chairman of the Board of Directors of the Palestine Islamic Bank as a representative of PIF. He obtained a Master's Degree in Economics from the American University of Beirut (AUB). He was the former Minister of National Economy and the Chairman of Board of Directors of several organizations and economic bodies. Mr. Al-Masri is also a member of the Corporate Governance Committee of the Board of Directors.

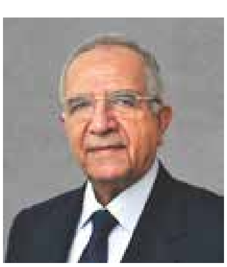


Mr. Azzam Shawa

Governor and Chairman of the Board of Directors of the Palestine Monetary Authority. He is also a Board of Directors member in several local and international economic organizations and institutions. Mr. Shawa holds a Bachelor's Degree from Memphis University, Mr. Shawa is a member of the Investment Committee of the Board of Directors.

Mr. Mohammad Abu-Ramadan

Mr. Abu-Ramadan is the Chairman of the Board of Directors of Wataniya Mobile Company as a representative of PIF. He is also a Board of Directors member of several companies and economic organizations. He holds a Bachelor's Degree in Business Administration from Syracuse University. Mr. Abu-Ramadan is a member of the Audit Committee of the Board of Directors.

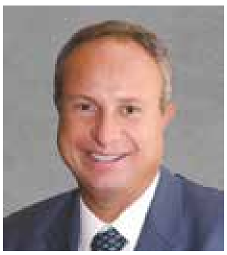


Eng. Nabil Sarraf

Eng. Sarraf holds a Master's Degree in Civil Engineering from Aachen University in West Germany and worked for long years in the construction contracting field in Kuwait and Saudi Arabic. He is the Chairman of the Board of Directors and a member of a number of public companies in Jordan and Palestine, in addition to serve as a board member in other companies, organizations and charitable societies. Mr. Sarraf is the Chairman of the Human Resources Committee of the Board of Directors.

Mrs. Lana Abu-Hijleh

Mrs. Abu-Hijleh is a Palestinian expert in the field of Local and International Development. She served as the Deputy Resident Representative of the United Nations Development Program (UNDP) in Palestine for several years. Since 2003, she has been the Country Director of the “Global Communities” in West Bank and Gaza Strip. Mrs. Abu-Hijleh is a Board of Directors member in several organizations and economic institutions in Palestine.

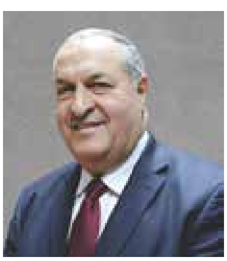


Mr. Samer Khoury

He is the President of Engineering and Construction at the Consolidated Contractors Company (CCC) and is active in economic bodies and a Board of Directors member of more than 28 organizations around the world. He holds a Bachelor’s Degree in Civil Engineering from California State University and a Master’s Degree from the University of Southern California. Mr. Khoury is a member of the Human Resources Committee of the Board of Directors.

Mr. Tarek Al-Aggad

The Executive Director and Chairman of the Board of Directors of the Arab Palestinian Investment Company (APIC) and an executive member of the Board of Directors of Al Aqqad Investment Company (AICO). Mr. Aggad also serves as a Board of Directors member of several Manufacturing, Distribution and Services entities in Palestine, Jordan and Saudi Arabia. He holds a Bachelor’s Degree in Economics from Harvard University. Mr. Al-Aggad is the Chairman of the Audit Committee and a member of the Human Resources and Investment committees of the Board of Directors.



Mr. Mazen Sinokrot

The former Minister of National Economy and Chairman of the Board of Directors of Sinokrot Global Group. He is the founder of Palestine Trade Center (PalTrade). He holds a Bachelor’s Degree in Production Management and Industrial Engineering from the University of Nottingham. Mr. Sinokrot is a member of the Audit and Investment committees of the Board of Directors.

Dr. Mohammad Nasr

An Associate Professor of Economics at Birzeit University and Chairman of the Board of Directors of Amaar Real Estate Company. Additionally, he is a member of the Board of Trustees and part of the Research Consultants Group at the Palestine Economic Policy Research Institute (MAS). He holds a Doctorate and Master’s Degree in Economics from Ohio State University and MBA (Master’s in Business Administration) from Wayne State University. Dr. Nars is a member of the Investments and Governance committees of the Board of Directors.

Dr. Jihad Al-Wazir

Former Governor of the Palestine Monetary Authority and former Acting Minister and Deputy Minister of Finance. He holds a Doctorate in Business Administration. Dr. Al-Wazir is a member of the Audit and Corporate Governance committees till the end of 2015 when he resigned from the BoD late December of the same year.

THE GENERAL ASSEMBLY

Members of the General Assembly

It is the highest supervisory and oversight body at the PIF. This Assembly represents PIF's shareholder; i.e the people of Palestine.
The General Assembly is comprised of 30 members of independent and experienced individuals representing the various segments of Palestinian society, including the Business community, regulatory agencies and Civil Society, appointed by the Palestinian President for a term of three years.
The General Assembly provides strategic guidance to the Board of Directors and reviews the annual reports of PIF and ratify the distribution of dividends. Moreover, the General Assembly appoints the external Auditor based on the recommendations of the Board of Directors.

01 Dr. Mohammad Mustafa
02 Governor of the Palestine Monetary Authority
03 Chairman of the Board of Directors, Palestine Stock Exchange
04 Chairman of the Federation of the Palestinian Chambers of Commerce
05 Chairman of the Board of Directors, Capital Markets Authority
06 President of the Private Sector Coordination Council
07 Director of the Presidential Court
08 Representative of the Board of Directors of the Palestinian Business Women's Forum
09 Mr. Maher Al-Masri
10 Mr. Samer Khoury
11 Eng. Nabil Al-Sarraf
12 Mr. Mazen Sinokrot
13 Mr. Mohammad Abu-Ramadan
14 Mr. Tarek Al-Aggad
15 Mr. Azzam Shawa
16 Mrs. Lana Abu Hijleh
17 Dr. Mohammad Nasr
18 Mr. Faisal Shawa
19 Dr. Mohammad Shtayyeh
20 Mr. Kamal Hassouneh
21 Mr. Hasan Qassem
22 Mr. Jawdat Al-Khudari
23 Dr. Hani Nijem
24 Mr. Sam Bahour
25 Mr. Abdulkader Al-Husseini
26 Dr. Safaa Nassereldin
27 Mr. Hashim Shawa
28 Mr. 'Ahed Bseiso
29 Mr. Nassar Nassar
30 Mr. Iyad Joudeh

PIF Investment Portfolios

Specialized Development Mechanisms:

In the end of 2015, PIF’s Board of Directors adopted a new organizational structure for PIF and its investment portfolios to implement its ambitious strategy and to translate it into achievements on the ground. In this front, six investment portfolios were identified, and the roles were assigned among these Portfolios based on its specialization, it focused on six major investment portfolios, in addition to the Palestine for Development Foundation which undertakes the tasks pertaining to Corporate Social Responsibility (CSR) and Social Investments.

01 Massader Company for Developing Natural Resources and Infrastructure Projects

Among the most prominent impediments facing the independence of the Palestinian economy is the heavy dependence on imported energy sources such as electric power and petroleum products. This constitutes a significant financial burden for the Palestinian national economy. The annual cost of imported energy is approximately $2.4 billion U.S., of which $1.7 billion U.S. are for petroleum products and around $700 million U.S. for the purchases of electric power. This constitutes approximately 20% of the Palestinian Gross Domestic Product (GDP) and about 40% of total Palestinian imports, thus comprising a substantial percentage of the trade balance deficit.

In general, Palestine – and in particular the Gaza Strip – suffers from a significant shortage and a growing deficit in the supply of electricity. This is mainly due to the lack of power-generating plants, the lack of a national grid for high-voltage transmission, and the lack of a high-pressure natural gas-transmission network, all of which constitute the main pillars for achieving independence in the energy sector.

A Large Investment Program in the Energy Sector, with an expected Investment size of

2.5

Billion Dollars

for developing the Gaza off-shore Gas field and the West Bank oil field, and generation of 800 Megawatts from conventional and renewable energy sources

In an effort to expand economic activity, achieve growth in the Gross Domestic Product (GDP), and sustainable growth of the national economy, while reducing the trade balance deficit and increasing Palestinian Treasury revenues , PIF established the Massader Company for the Development of Natural Resources and Infrastructure Projects to play a leading role in the development of large scale strategic projects aimed at the development and utilization of Palestinian natural resources (Hydrocarbons and Renewable) and the provision of various sources of national energy supply, in addition to developing the basic infrastructure of the Electricity sector, all with an aim of creating a firm foundation for an independent Palestinian state.

Objectives of Massader Company

- Develop Palestinian oil and gas natural resources.
- Develop a productive infrastructure for the Electricity and Water sectors.
- Contribute to achieving economic independence in the Energy and Water sectors .
- Reduce the level of dependence on imported supplies.
- Contribute to enabling the development of heavy industries such as Cement and Steel.
- Attract foreign investments in Palestine.
- Contribute to stimulating economic activity.
- Provide sustainable job opportunities for Palestinian youth.

Investment Programs:

Massader Company works on implementing a large investment program combining the resources of the public sector and the capabilities of the private sector. The approximate size of this program is $2.5 billion, with PIF's contribution at about $200 million. This investment program includes the following major projects:-

First: The Development and Utilization of the Natural Gas Field off shore Gaza

The Palestinian Natural Gas field is located in Palestinian maritime zones opposite the shores of the Gaza Strip and it includes about 1 trillion cubic feet of Natural Gas (approximately 32 billion cubic meters), thus providing suitable quantities for commercial development of the field to meet Palestinian market demand related to power generation of Electric energy and to export the surplus quantities to neighboring markets. PIF owns 17.5% of the developmental rights related to this Gas Field which is being developed in partnership with the Consolidated Subcontractors Company (CCC) which owns 27.5% and Shell Company which owns 55%. The development costs of this projects are estimated at about $1.1 billion.

A Natural Gas field having 1 trillion cubic feet of Gas. This project aims to meet the Gas needs of .the Palestinian market for power generation
An investment project with a value of

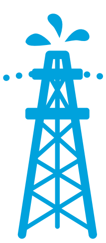
1.1

Billion Dollars

Second: The Development and Utilization of the West Bank Oil Field

The West Bank Oil Field is located in an area of 432 square-km extending from north-west of Ramallah city to the north of Qalqilya city.

Preliminary assessments indicate the presence of Hydrocarbon resources (oil and gas) in this field. These assessments will be verified by implementing an oil prospecting and exploration program. PIF will sign a Production-Sharing Agreement with the Government of Palestine to develop this field through establishing a PIF led national consortium. PIF will also enlist the support of specialized and experienced international companies to develop and utilize the Hydrocarbon resources. The investment size of this project is estimated at around $390 million.



An Oil Field with estimated 30 million barrels. This project will contribute to satisfying part of Palestinian market demands for petroleum products

With an estimated investment of

$390 million

Third: Developing an Electric Power Generation Plant in the North

This project aims to build the first plant to generate electric power in the northern West Bank in the Jenin Governorate , with a generation capacity of approximately 400 Megawatts, plant fueled by Natural Gas. This project is being developed through the Palestine Power Generation Company (PPGC) which is supported by a leading group of Palestinian investors including the Palestine Investment Fund (PIF) contributing 39.6%, Palestine Development and Investment Company (PADICO) contributing 20%, Palestine Telecommunications Group (PalTel) contributing 10%, Arab Bank Group with 10%, Palestine Electric Company with 5%, Arab Palestinian Investment Company (APIC) with 4 along with an important group of banks including the Bank of Palestine, Al-Quds Bank and Cairo-Amman Bank. The Company has signed a Letter of Intent with the developers of the Palestinian Natural Gas field for the supply of natural gas to meet all the demand of the power pant. The project will supply approximately 50% of the current demand of the Palestinian market for electricity. Power generation from the plant is expected to commence at the end of 2019 or the beginning of 2020. The cost of developing this project is approximately $620 million U.S.

A plant for electric power generation in the northern West Bank fueled by Palestinian Natural Gas to generate 400 Megawatts with an annual production capacity of 3,500 Gegawatts. This is currently the largest infrastructure project in Palestine with an estimated investment value of

$620 million

Fourth: Solar Energy Fund

This Fund aims to encourage the production of clean electric energy from renewable sources through small producers (the Domestic sector, Business and Small Enterprises sector, and the Public sector). The project will use the surfaces of buildings to establish systems for producing electric energy from solar panels. Also, this Fund will work on building clusters of small solar energy fields to serve a group of small-sized production for the Business and Small Enterprises sector. Additionally, this project will work on developing the personal capacities of employees in the fields of designing, building, operation and maintenance in the Solar Energy sector in terms of training, adoption and rehabilitation. This project production capacities are expected reach about 35 Megawatts with an investment size of $50 million U.S.

Fifth: Solar Energy Fields Project

This project aims to build a group of medium-to-large sized solar energy farms to diversify sources of electricity supply to be feed into the main load centers in several places across the country. The Project's total generation capacity is expected to reach approximately 70 Megawatts from several distributed solar energy sites, with an average generation of about 10 Megawatts per site. This bundle of projects will developed through entering into competitive bids or submitting direct offers/ bids in several suitable locations for this purpose. The preliminary assessments indicate that the estimated size of investment in this project will reach about $100 million U.S.

Sixth: Conversion and Expansion of the Gaza Power Plant

This project aims to convert the Power Plant in the Gaza Strip to natural gas and to double its production capacity with the aim of reducing the cost of electric power generation and supplying additional electricity, at the backdrop of the major deficit in electricity supply to the Gaza Strip. Solving the energy crisis in the Gaza Strip is imperative and will enable the development of other vital projects, in particular those related to water resources, seawater desalination and waste water treatment. The Project's overall production capacity is expected to be 280 Megawatts with an additional investment size of about $200 million.

Massader's Future Projects

Massader's Work & Investment Program will focus in the first phase on developing a bundle of Energy-related projects and developing Hydrocarbon resources, due to the strategic importance of these projects and the dire need to develop the basic infrastructure of the energy sector. Massader will expand its investment program at a later stage to include the following vital sectors:-

- Waste to energy program
- Investment in waste water treatment and seawater desalination.

Production of 35 Megawatts from solar energy systems on building's rooftops and small-sized plants located in open fields. The program aims to empower the residential, business and public sectors by having them possess their own production systems of clean and environmental-friendly energy.

An investment program of about

50

Million Dollars

70 Megawatts in Solar Energy genrated from 7 fields, with a production capacity of 10 Megawatts per field

An investment program of about

100

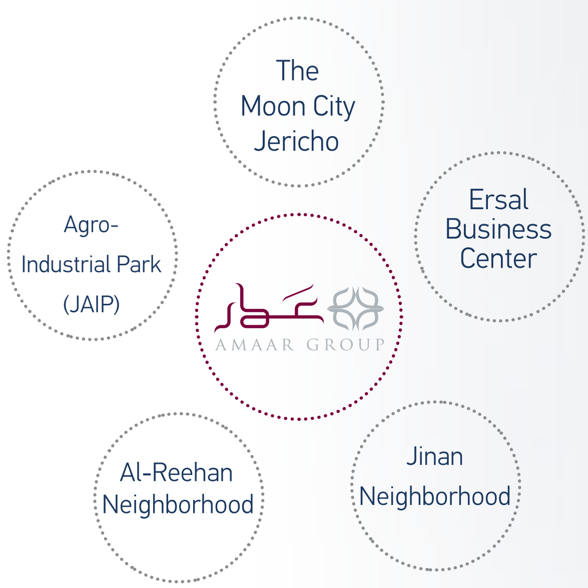
Million Dollars

02 Amaar Real Estate Company

Amaar Group (AG) is Palestine Investment Fund's (PIF) investment arm in the real estate sector. AG's vision is to be the leading "Master Developer" in the Palestinian real estate market, providing high value-added and meaningful services to our clients. In 2015, AG increased focus on horizontal land development, in a shift from vertical land development and reduced activity in the hospitality and tourism sectors. At the same time, it also increased investment in strategic land development projects, including developing new neighborhoods in select urban areas, land development in area C, Jerusalem, and other areas of national importance and development impact, which will also contribute to alleviating the housing problems in these areas. AG's mission is to provide affordable land around urban centers, suitable for development for private sector developers or end users, to offset the shortage in land needed for housing, commercial and industrial development, manage its current and future real estate properties efficiently and effectively. All this by engaging with partners from private sector to develop needed large-scale real estate projects in Palestine.

Since 2009, AG has completed several outstanding accomplishments, which are crystal-clear milestones in different governorates around the country, such as the model Al-Reehan neighborhood which embodies the highest standards of development and urban expansion in the city of Ramallah, through building more than 700 residential units and preparing the infrastructure for investing in accompanying medical, academic and touristic services. Once completed, the project will include amongst its various phases, more than 1,500 residential units, a state-of-the-art specialized hospital and a modern American school. Other landmark projects include the Ersal Business Center, which started drawing a new skyline above the hilltops of Al-Bireh, the Jinan neighborhood in Jenin, and the Moon City Project in Jericho and the Aghwar (Jordan Valley).

By focusing on horizontal development, AG will purchase large tracts of land and develop the necessary infrastructure for these lands as a prelude to selling them to sub-developers. This will help compensate for the shortage in land which is subject to real estate development. Within their new strategy, AG is currently implementing the Moon City project in Jericho through the provision of infrastructure, urban and civil planning and parceling with the aim of selling them to sub-developers and individuals aspiring to build their own homes, in addition to investing in the city of Jerusalem and real estate projects in the Palestinian Jordan Valley.




برج عمار
AMAAR TOWER
برج عمار
AMAAR TOWER

Al-Reehan Neighborhood in the Ramallah Governorate

Al-Reehan neighborhood is located to the north of Ramallah city, and is connected to the main roads network. A master plan was placed for the whole project, planned in accordance with the latest standards and endowed with a modern infrastructure that serves this neighborhood and its nearby areas to make the vision of the neighborhood a perfect example to future developers. Al-Reehan neighborhood is placed on a 250 dunums area and was developed through three phase. The first phase of 40 dunums was developed by Amaar Group. During this phase, 42 villas were built, next to 17 building, the prestige Executive Towers "ET", and finally, a commercial center to provide the best service to the residents of the neighborhood. 95% of the first phase was sold with over 180 families residing in these buildings. The second phase, consisting of 240 residential units, was developed by one of AG's large strategic partners. Phase three was sold as development rights to more than one developer, where local developers saw an opportunity to build in Al-Reehan neighborhood, one of the key reasons AG began Al-Reehan project.

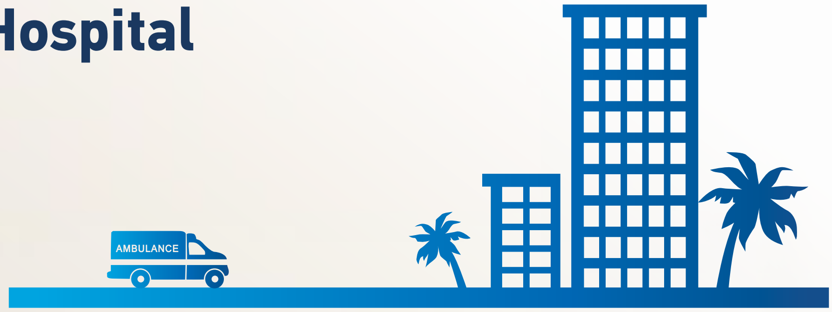
With the partnership with the PIF the building of the newest specialized hospital was recently inaugurated and will provide the most modern Medical services. Also the building of the American school is underway by one of AG's strategic partners. Meanwhile, the works of construction are ongoing around the neighborhood whether at the faculty of Post-graduate Studies of the Arab American University of Jenin "AAUJ", or the amusement park, or other residential projects whereas the Al-Reehan neighborhood represents an urban extension for the city of Ramallah and this has contributed to the city's urban and expansion.

Residential Units

Size of Investment 140 million Dollars

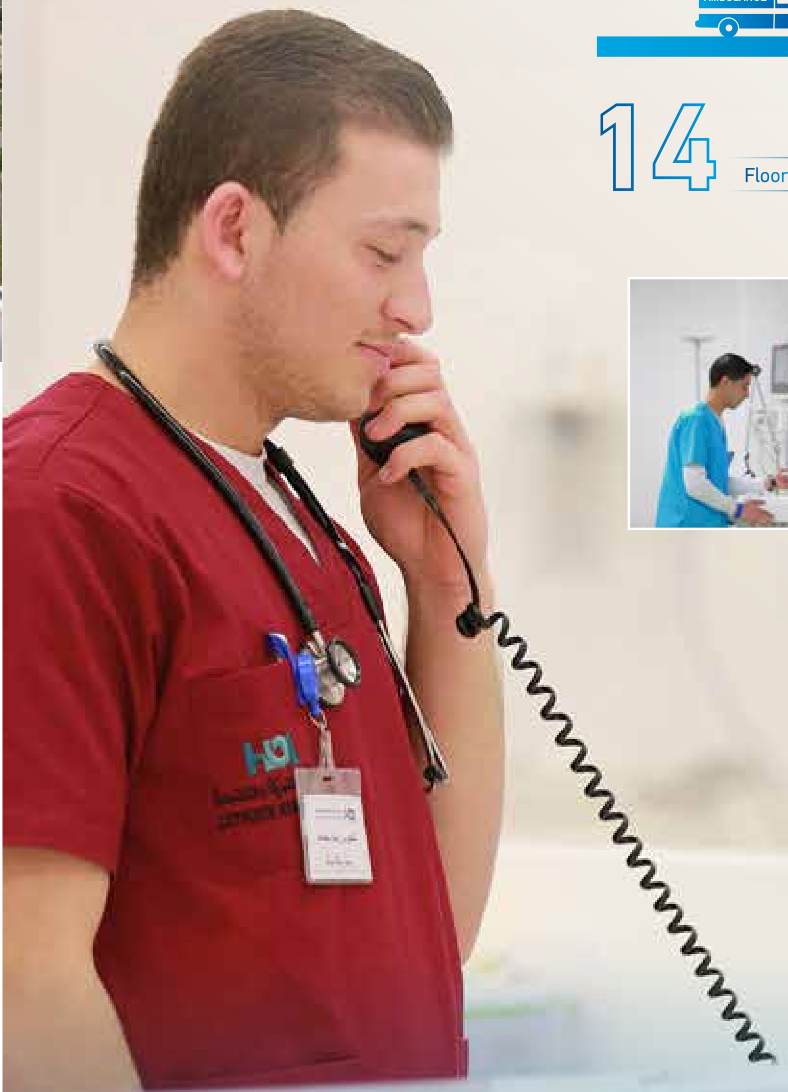
> **"Al-Reehan residential suburb has revived the whole area. I wouldn't have imagined that this area would one day witness an urban activity which would make it become a model location for living since this suburb is very calm and far from any annoyance, surrounded by green mountains and a fascinating nature. Also, it is quite easy to access this suburb and its roads are paved and wide, its infrastructure is suitable, schools are nearby and commercial places are many."**
>
> Dr. Anas Fawzy Al-'Imla – a new resident of the Al-Reehan suburb

Istishari Arab Hospital (Al-Reehan)



14 Floors

330 beds for various medical specializations



The American School of Al-Reehan

A capacity of 2200 Students

Postgraduate Studies Faculty of the Arab American University

Al-Jinan Neighborhood in the Governorate of Jenin

Al-Jinan residential neighborhood is located near the Arab American University of Jenin “AAUJ”, It was developed and implemented in accordance with the highest standards. This accordance is the first in Jenin that enjoys a complete infrastructure and will include, upon the completion of its various phases, it will include a business center and other public facilities covering an area of 77 dunums. So far 54 semi-independent residential units and 28 residential ones are completed. Several residential units were also built in the surrounding are by individuals as part of the “Build Your Own Dream House” program.


Al-Jinan Neighborhood - Jenin

Moon City – Jericho & Al Aghwar Governorate

Based on the BOD’s decision to focus on horizontal development, Moon City project is the first project in this direction. The Moon City project extends over an area of 550 dunums. On the north side of Jericho city, this project was developed through the area’s urban planning and approval was given to its organizational project and there was the implementation of its infrastructural works “roads, water and electricity network”. Afterwards, the land was divided into parcels and the deeds were issued for each parcel. Amaar Group used two strategies to sell its development rights; first strategy is by selling bulks to local sub-developers and strategic partners. The second strategy is by selling small land parcels to end users.

Moon City project has recorded several successes which were demonstrated by the selling of development rights of the major part of the project, and this included a number of areas classified as commercial, residential and touristic. One part was sold to the citizens under the title of “Build Your Own Dream House”, whereas some companies bought residential areas to build housing projects for their employees and their respective families. Additionally, there is a project aiming to establish the a water park in the project which is expected to be a center for attracting internal tourism. After the huge success Amaar Group faced with the Moon City project in Jericho, Amaar Group is looking forward now in starting new projects around Palestine, by providing land parcels with all the infrastructure to sub-developers, and end users to build their own dream house. Amaar group is working now on two projects in Ramallah to be announced about soon.

550

Dunums are being developed in the Jericho & Al Aghwar governorate as part of the The Moon City project

Ersal Business Center

Ersal Business Center project is the pioneer commercial center in Ramallah and Al-Bireh governorate, and the new business-hub in the area. It extends over an area of 58 dunums. Upon the completion of developmental works, this project will include 11 multifunctional business towers in the heart of the Ramallah and Al-Bireh governorate. Amaar Group developed the area, built its modern infrastructure, drew its civil and urban features and then sold its development rights to Palestinian companies whereas it recorded a high rate of sales.

In fact, Amaar company has been among the first developers in this area by building the "Amaar Tower" which consists of 13 floors along with its facilities; AG's tower was has been occupied by several organizations and companies at the end of 2015, such as the headquarters of the Palestine Investment Fund (PIF) and its subsidiary companies including Amaar Group, Sanad and other tenants. Also, the CCC (Consolidated Contractors Company) inaugurated its tower inside the Ersal Business Center and this made it the second tower to be established inside this business center. Additionally, the Bank of Palestine (BOP) and Al Quds Bank have completed the design and licensing of their own towers inside the Al-Ersal Center as a prelude to building their own headquarters there. Several of the Palestinian real estate development companies will home their own headquarters in the Ersal project as well.

Upon the completion of works, this Business Center will constitute a new and vibrant civil area in Ramallah & Al-Bireh and the country as a whole and it will become a financial, business, trade and residential center which will create hundreds of job opportunities and will refine the features of the twin cities of Ramallah & Al-Bireh towards the progress that these cities aspire for

11

- **Commercial towers, a meeting point for the headquarters of large Palestinian and international companies**
- Palestine Investment Fund (PIF)
- Consolidated Contractors Company (CCC)
- Bank of Palestine
- Al Quds Bank
- The Jerusalem District Electricity Company
- A number of developer companies such as Al-Nibaly and Al-Faris, Abdeen Exchange company, and others.

Jericho Agro-Industrial Park (JAIP)

Currently, the Jericho Agro-Industrial Park (JAIP) is being developed as a multifunctional area in Jericho, and it will serve the farmers of Al Aghwar area in the storage and exporting of their agricultural products. JAIP includes the various necessary infrastructural elements for meeting the different agricultural and commercial needs. This project also provides hundreds of direct job opportunities and hundreds of indirect job opportunities by encouraging agricultural and industrial activities in this region. The first phase of the project made significant achievements, whereas 43 facilities signed agreements to move to it on an area reaching 8,000 square-meters, while work is underway to finalize other areas in addition to preparing the open spaces.

03 Sanad Construction Industries Company

Sanad Construction Industries Company will lead the efforts of investment in industrial and production sectors related to construction industries. For this purpose, the company's Board of Directors ratified a strategy that aims to provide

Cement to the Palestinian market in a way that guarantees its arrival without interruption and with competitive prices and quality control. Sanad is also adapting a holistic approach on the development of this sector. In 2015, Sanad launched the "Bunyan" project for developing the companies working in this sector with an amount of $100 million U.S., of which Sanad will initially contribute of $30 million U.S.

Sanad Company achieved Net Profits of $19.7 million U.S. in the year 2015 whereas the company's Assets amounted to $65.3 million U.S. in the end of 2015.

Sanad Construction Industries Company was established in 1994 for the purpose of meeting the needs of the Palestinian construction market such as the provision of building materials.

Sanad has a national vision embedded in action geared towards the development of the construction materials manufacturing sector in Palestine and leading it in partnership with the Palestinian Private sector in a way that positively affects the national economy as a whole.

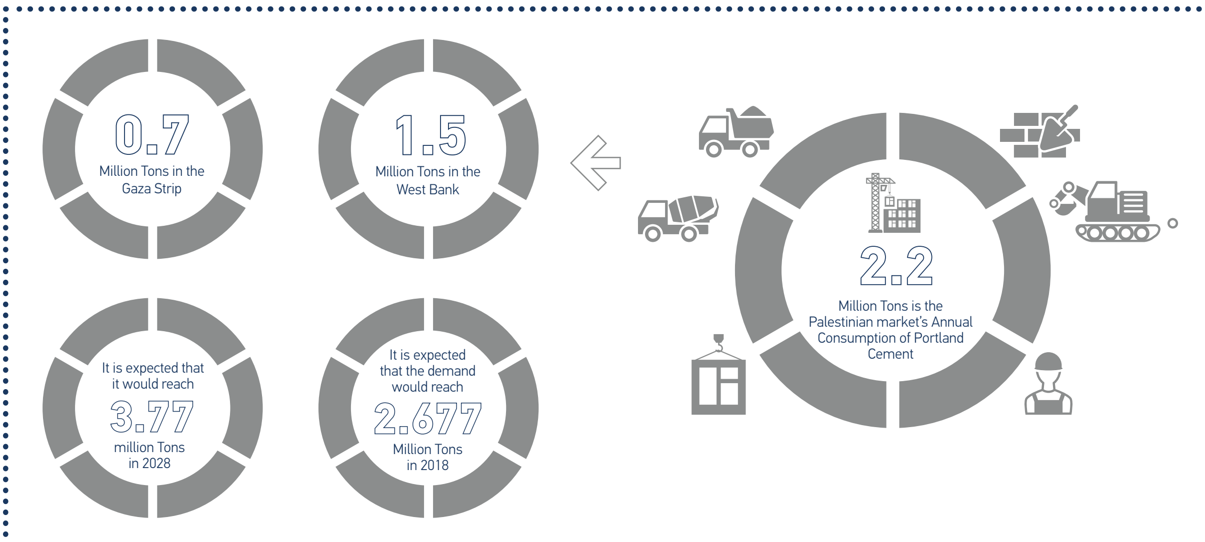
Sanad is able to act in harmony with this vision in line with the company's task of providing an integrated package of main products related to construction materials and ensuring their availability in the Palestinian market with competitive prices and good quality. This Vision is complementary with the company's future plans aimed at establishing the first integrated Cement factory in Palestine. Therefore, the company will be able to achieve one of its key company goals; to ensure the independence of the Palestinian economy by providing this vital and strategic material in the construction sector.

The company operates with a Vision that carries a responsibility towards the Palestinian society in general and the Construction sector in particular. For this reason, it began formulating a sustainable developmental Strategy in the field of Corporate Social Responsibility (CSR) in order to serve this strategic orientation and to afterwards implement the activities and programs that are commensurate with this strategy and which serve the community interest, organize the Palestinian Construction sector and its development, and assist in its progress based on sustainable foundations.

Sanad Company's Current Activities

• The Supply of Cement

The annual consumption of the Palestinian market is around 2.2 million tons of Cement; 1.5 million tons in the West Bank and 0.7 million tons in the Gaza Strip. By the year 2018, it is expected that the demand for Cement in the Palestinian market would reach 2.677 million tons. In addition, it is expected that this demand would reach around 3.77 million tons by the year 2028, which constitutes an annual demand growth rate of 3%.



• Transport Operations

Sanad Construction Industries Company provides the service of transporting Cement to its various clients by transferring Cement from the company's warehouses to traders and retail distributors based on the requests made to the company. This is done through a fleet of trucks for transporting Cement in bulk as well as packaged.

Sanad company is a major partner of the following two companies in the transport and distribution of Cement in the West Bank:

1. Bulk Express Transportation Company, PJSC, Ltd.
2. Amial Express Transportation Company, PJSC, Ltd.

• Strategic Warehouses

Sanad owns strategic warehouses in the governorates of Jericho & Al Aghwar, Tulkarem and Hebron in order to preserve and store Cement to ensure that it is supplied without interruption; and the company provides Cement during peak seasons and periods in which the import of Cement is interrupted for one reason or another.

Ceremony of Launching “Bonyan” Program – 31-8-2015 Partnership Building….Development

• “Bonyan” Program for developing the Construction Industries Sector

This program is based on the idea of development through integration and partnership with companies operating within the Palestinian Construction Industries sector. The program shall achieve its objectives through a crystal-clear strategy and work mechanism to empower small and medium-sized companies to benefit from this program, which will reflect positively by increasing the size of their activities, opening new markets for them and developing their production capacity, quality and environmental systems, thus creating new job opportunities. “Bonyan” program was launched in 2015 by the Sanad Construction Industries Company with an Investment Portfolio of $100 million U.S., from which Sanad’s initial contribution shall be $30 million U.S.

FUTURE PROJECTS

• The Filling and Packing Process

The process of filling and packing of Cement is done in a new facility established by Sanad in the Jericho & Al Aghwar governorate since it is the closest governorate to the King Hussein Bridge which is the only passage to the West Bank to which Cement-carrying trucks enter from the Hashemite Kingdom of Jordan. The filling and packing of Cement is carried out under the umbrella of the "Jericho Company for Filling & Packing Cement". This company was established in 2014 and Sanad Company has the largest ownership in it. The "Jericho Company for Filling & Packing Cement" works to ensure that any potential shortage of Cement in the Palestinian market would be directly tackled in case it happens, and the company can fill and store Cement with a filling capacity of 120 tons per hour.

• Quarries

Sanad is currently entering into partnerships with the Private sector for the goal of establishing quarries. The production of stones in quarries is considered the main extractive industry in Palestine and, along with the production of stones and marbles, it is one of the Palestinian industries that plays a very prominent role in meeting the local demand of the Construction sector from one side and doing traditional Palestinian exports from another

• Complementary Products for Construction Industries

Amidst the increasing consumption of Cement, Sanad Construction Industries Company aims to supply the various basic materials that are used in the manufacturing of construction materials, and to provide them on a permanent basis in a way that would supply these complementary materials to all the factories working in this sector. The most important of these complementary materials are: sand, clinker, products of quarries, and industrial stones.

• Cement Mill

Sanad Construction Industries Company has completed the preparation of a feasibility study related to this mill. Also, an international company was chosen to prepare the tender documents related to the Cement mill (Turnkey form). Currently, work is underway to obtain all the necessary licenses and permits and simultaneously with that, the company is preparing the needed infrastructure to establish this cement mill. It is expected that the phase of implementation would start in the fourth quarter of 2016, whereas it is planned that the mill-related production would start in 2018.

• Palestinian Cement Factory

Sanad finished preparing all the required studies for establishing the Palestinian Cement Factory. These studies included geological tests, market analysis, a technical and technological study, environmental studies and an economic feasibility study. At this point, work is underway to specify the implementation mechanisms for establishing the Palestinian Cement Factory in cooperation with the related official bodies, and it is planned that the Cement Factory would start its actual production in 2022.

04 Sharakat

For Small and Medium Size Investment

Established in 2013, Sharakat Investment Fund is responsible for structuring, managing and monitoring the various PIF investments within the Small and Medium Sized enterprises (SMEs) arena. Sharakat aims at supporting and developing a Palestinian private sector that is able to function and grow to achieve the ultimate goal of an independent and sustainable national economy as an enabler to the establishment of an independent Palestinian state.

Sharakat investments target a number of vital economic sectors that are crucial to the development of the Palestinian economy. These include: Microfinance, Leasing, Agriculture, Food Industries, Tourism, Light Manufacturing , IT, Health, Education, and Renewable Energy. Sharakat also pays special attention to investing in Jerusalem and in the marginalized Aghwar (Jordan Valley) area given their strategic and political importance.

By the end of 2015, Sharakat had invested 19.2 million USD in various Palestinian economic sectors; and attracting over 60 Million USD in additional investments by PIF partners into the same investments. Those investments were used to establish and develop ten companies and two specialized investment funds; one invests in start-up IT companies, and the other invests in infrastructure and SMEs in Jerusalem. . Sharakat investments have created over 410 permanent jobs since its inception.

Sharakat also invested and financed Microfinance Institutions (MFIs), which in turn provided loans to to various community segments with particular focus on the youth and women in different Palestinian governorates. The number of borrowers from "Faten" and "Asala" companies – two MFI partners of Sharakat – reached approximately 550 borrowers in 2015 and about 1,300 borrowers in the last three years.

Ibis Styles Hotel in Jerusalem

""From the moment we started dealing with the Palestine Ijara Company, there was no doubt about the facilitative and impactful role Ijara plays in enabling enterprises to acquire productive equipment using an easy and swift mechanism. This has reflected positively on Pharmacare Company.

Dr Bassem Khoury, "CEO of Pharmacare Co.
A leading pharmaceutical company which benefited from leasing solutions provided by Palestine Ijara Company - a Sharakat Investment"

Sharakat's Investment Mechanism

- Focus on productive and services sectors, and strategic geopgraphical locations such as Jerusalem and Aghwar;
- Invest in established enterprises with high potential for growth and expansion, as well as promising start-ups;
- Inject up to 3 Million USD of capital in return for a minority equity share not to exceed 40%
- Exit investments in 5 to 7 years; once enterprises reach sustainable profitability.

The Targeted Sectors

In 2016, Sharakat will focus on various productive industries and services sectors with healthy financial returns and positive social impact. It will particularly target the agro-food industries industries, agriculture, textiles, paper, plastic, chemicals, leather, wood, information and communication technologies (ICT), tourism, health and education (including vocational training). Moreover, Sharakat will pay particular attention to the micro financing sector to expand the scope of lending services provided to small companies and facilities to include young entrepreneurs and youth. Geographically, Sharakat will continue to provide special attention to Jerusalem and to the marginalized areas in Al Aghwar and Area C, especially in support of agriculture.

Future Goals

- To invest approximately 35 million USD in small and medium-sized enterprises (SMEs)
- To continue focusing on productive and food industries, as well as agriculture..

Value added to portfolio company

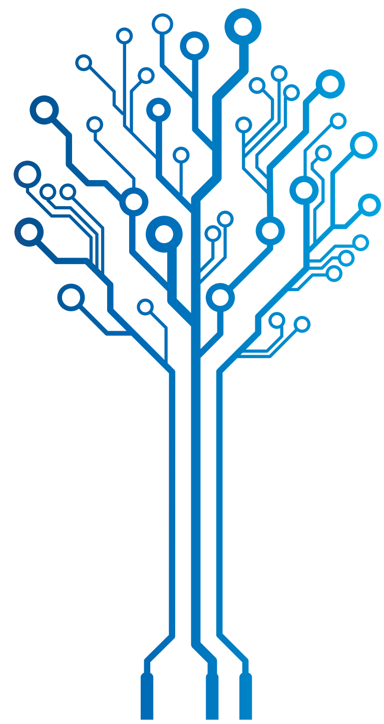
In additional to the risk-free growth capital injection that it brings, Sharakat provides its portfolio companies with organizational governance and technical support to assist them improve their efficiency, expand their trade activities and develop their productive capacity and quality. Companies will also benefit from the large local and regional network of Sharakat and PIF as a whole. Sharakat enables small companies to grow faster and compete more effectively.

Sharakat's Partner

- Al Quds Holding Company: A Jerusalem based investment company dedicated to make investments in Jerusalem.
- Arab Fund for Economic & Social Development: Youth employment program (Ebda')
- Middle East Investment Initiative: Loan guarantee program for Small & Medium-Sized Enterprises
- Overseas Private Investment Corporation (OPIC):
- Loan guarantee program for Small & Medium-Sized Enterprises
- Islamic Corporation for the Development of the Private Sector (ICD): Finance and support private sector projects in accordance with the principles of the Islamic law - Co-Investor in Ijara Company.
- Palestinian Development Fund (PDF): Credit facility for small and medium sized enterprises in Jerusalem
- Sadara Ventures Fund – Venture capital firm targeting the Palestinian IT sector - Co-Investor in SoukTel Company

Sharakat’s Equity Investment Portfolio

Palestine Ijara Company – Islamic leasing
PAL FARM Company – Agribusiness
Ibis Hotel (Jerusalem) – Tourism
SoukTel Company Information Technology Sector (IT)
Palestine for Credit & Development (FATEN) – Microfinance
Asala for Lending & Development – Microfinance
Iben Sina Hospital – Healthcare
Al Quds Holding Company – Real Estate, Tourism, IT and Education in Jerusalem
Ibtikar Fund – Information Technology Sector (IT)
The Specialized Arab Hospital –Healthcare



05 ASWAQ Company for Investment Portfolios

The investment portfolio of Aswaq Company encompasses the strategic investments of PIF in the most significant companies working in Palestine. The presence of the PIF as a major investor in these Palestinian companies is considered a great addition to the value and to these companies and a strategic key partner with abundant investment capabilities investment partner which enhanced the financial indicators of these companies in particular, and leveraged the performance of the Palestinian economy in general.

Palestine Investment, and through ASWAQ Company invests in companies that have high market value and which have reached an advanced stage of operational stability in a way that guarantees the attainment of the required returns to finance the plans for expansion as well as dividends distribution to shareholders

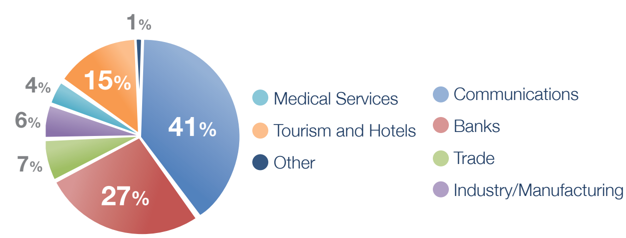
By investing in these companies, PIF aspires to achieve both medium and long-term stability for these companies and to work on empowering their operational performance and enhancing their level of efficiency where PIF representatives in these companies' board of directors utilize their accumulated experience for the sake of these companies. Also, aiming to achieve the required returns and dividends which will be deployed in the investment programs of PIF with developmental and economic objectives.

The investment portfolio of ASWAQ includes investments in various vital economic sectors to encompass telecommunications banking services, trade and supply chains, heavy and light Industries as well as medical services. The investment portfolio also includes most of the significant investments in tourism & hospitality sector under the umbrella of Yabous company which is a subsidiary of Aswaq company.

The following is a list of companies that ASWAQ invests in:

- Palestine Telecommunications Group (PalTel)
- Palestine Islamic Bank- ISBK
- Arab Islamic Bank- AIB
- Bank of Palestine- BOP
- Quds Bank- Quds
- Arab Palestinian Investment Company (APIC)
- Palestine Industrial Investment Company (PIIC)
- Arab Specialized Medical Complex Company
- Birzeit Pharmaceutical Company (BPC)
- Yabous Company for Tourism In-vestments
- Wataniya Mobile- WM

The Investments of the ASWAQ Company Portfolio based on the various sectors:



Palestine Telecommunications Group (PalTel Group)

The first operator in the telecommunication Services in Palestine, wherein PIF is considered a co-founder. PalTel started its operations in 1997 as a public shareholding company for the purpose of providing wired and wireless telecommunications and internet services in Palestine. The Group has been able to achieve the highest standard in telecommunication services by wisely investing in modern technologies, telecom infrastructure and human resource development.. PalTel Group is with the largest market value in the Palestine Exchange (PEX) having a value of about 1 billion Dollars.

The Net Profit of PalTel in 2015 reached 83.1 million Jordanian Dinars.

Palestine Islamic Bank - ISBK

The Palestine Islamic Bank provides banking services in accordance with the provisions of Islamic sharia (canon). The declared Capital of this bank is 100 million dollars and the Paid-in Capital is 50 million dollars which will be gradually raised in the upcoming years to reach 75 million dollars to comply with the instructions of the Palestine Monetary Authority (PMA). This bank has a network of 21 branches in the different parts of Palestine and it has about 450 employees. In 2012, the Palestine Investment Fund (PIF) acquired a strategic share in this bank to reach 34% of this bank's shares, hence PIF is considered as the largest shareholder in this bank through its direct and indirect shares and also through ASWAQ Company for Investment Portfolios.

The Net Profit of the Palestine Islamic Bank achieved a 58% growth between the years (2013-2015); reaching 6.5 million Dollars in 2013, 7.5 million Dollars in 2014 and about 10.03 million Dollars in 2015 respectively.

Arab Islamic Bank – AIB

The Arab Islamic Bank is the first Islamic bank in Palestine when it was established in 1995. It started its banking activities at the beginning of 1996 and it offers a set of banking, financial, and investment products in accordance with the provisions of Islamic sharia (canon) by providing contemporary Islamic banking solutions and high-quality services through its network of 11 branches employing 300 employees.
The Paid-in Capital of this bank is 50 million dollars and the bank is working on raising it to reach 75 million dollars in the coming years to comply with the instructions of the Palestine Monetary Authority (PMA), The bank has recorded a net profit of 5.2 million dollars in 2015.

Bank of Palestine- BOP

The Bank of Palestine was established in 1960 with the vision of promoting banking services in Palestine, as well as to finance the development of projects and to meeting the demand on the financial and banking needs of the various segments of Palestinians. The Bank of Palestine is one of the largest national banks in the country and it has the second largest market value in the Palestine Exchange (PEX) with a Paid-in Capital of 185 million dollars.
It is considered one of the most widespread in terms of number of branches, offices and automated teller machines (ATMs). Moreover, the bank has a qualified staff who provide services to more than 600,000 clients including individuals, companies and organizations.
BOP owns a strong financial position with total assets valued at 2.47 billion dollars in 2015 which grew by 15% when compared to year 2014. The net profit of 2015 reached 43.1 million dollars compared to 40.2 million dollars in 2014.

Al Quds Bank- Quds

Al Quds Bank was established in 1995 as a limited public shareholding company with a Paid-in Capital of 55 million U.S. Dollars. The bank runs its activities through a network of 27 branches and offices spread across the country and is considered one of the first local banks which rendered their banking services after the establishment of the Palestinian National Authority.

In 2015, the bank's Pre-tax Profits was about 12.2 million dollars, compared to 10.2 million Dollars in 2014.

Arab Palestinian Investment Company (APIC)

After establishing the Arab Palestinian Investment Company (APIC) in 1994, APIC became one of the leading companies in the Industry, distribution and services sectors by enabling local consumers to choose high-quality services and products which were not previously available in the local market or were being imported at high costs.

APIC's investment portfolio is quite diverse and it includes the industry sector, trade, advertising services and shopping centers. In a great leap which reflects the public's confidence in this company, the shares of APIC were incorporated in the Palestine Exchange in 2014. The company recorded a net profit of 12.4 million dollars in 2015 with a growth rate of 9.4% when compared to the previous year.

The APIC group includes the following companies which provide the Palestinian market with high-quality products and services:

- Palestinian Automotive Company
- Siniora Food Industries Company
- Arab Palestinian Shopping Centers Company ("PLAZA")
- Medical Supplies & Services Company
- UNIPAL General Trading Company
- SKY Advertising, Event Management & PR Company
- National Aluminum & Profiles Company
- Arab Palestinian Storage & Cooling Company
- Central & West Africa Company for Commercial Agencies

Palestine Industrial Investment Company (PIIC)

It is an industrial holding company which was established in 1995 as a specialized investment company in the industrial and agricultural sectors. The PIIC's stock has been traded in the Palestine Exchange (PEX) since 2002.
Among the most important investment projects of this company is the Palestine Poultry Company ("AZIZA") and Palestine Plastic Industries Company (PPIC) and both of the companies are incorporated in the PEX (Palestine Exchange). recently, PIIC conducted an acquisition over Al Pinar Daily Products Company all of which to effectively provide and improve the level of food security in Palestine. Also, the company is one of the owners of the Vegetable Oil Industries Company, Golden Wheat Mills Company (GWMC) and the National Carton Industries Company (NCI).

In 2015, the Palestine Industrial Investment Company (PIIC) achieved Pre-Tax Profits of 6.5 million Dollars.

Arab Specialized Medical Complex Company - ASMCC

ASMCC runs and invests in a number of leading hospitals in the Palestinian health sector, such as the Arab Specialized Hospital in Nablus and the Istishari Arab Hospital (IAH) in Al-Reehan suburb to the north of Ramallah, which rendered its medical services at the beginning of 2016 and was established with an advanced level of technology, equipped with the most contemporary equipment and hiring a professional Palestinian medical staff. For the first phase the new hospital (IAH) has a capacity of 150 beds , which will be gradually increased i to 330 beds in the next two years, including 75 specialized beds, all of which to fulfill patients' needs and expectations which are not available in other governmental and private hospitals. Such investments will positively scale down utilization of medical services outside Palestine which are of financial burdens to the Palestinian government and the Palestinian Medical Service sector .PIF and ASWAQ – and through such investments- aims to introduce a transformation in the concept of Medical Services inside Palestine; especially since this hospital will provide about 1,000 job opportunities upon the completion of next phases.

Birzeit Pharmaceutical Company- BPC

The leading Palestinian company in the field of pharmaceutical/medicine production. BPC produces around 300 types of high-quality medicines throughout ten production lines covering the various therapeutically specialized fields. The company targets all types of clients in the local Palestinian market, including the Ministry of Health and local and global health care organizations and programs in addition to the local consumers (through pharmacies and doctors).
BPC seeks to implement the requirements and instructions of certified quality- regulations and medicine manufacturing practices in order to assure the continued and sustainable quality competitiveness. This company's market is not restricted to Palestine; it also exports its products to global markets directly to reach East Europe and Algeria , while continuously seeks to open new markets for its products.

In 2015, the company achieved Net Profits of 4.9 million Dollars, compared to 4.2 million Dollars in 2014.

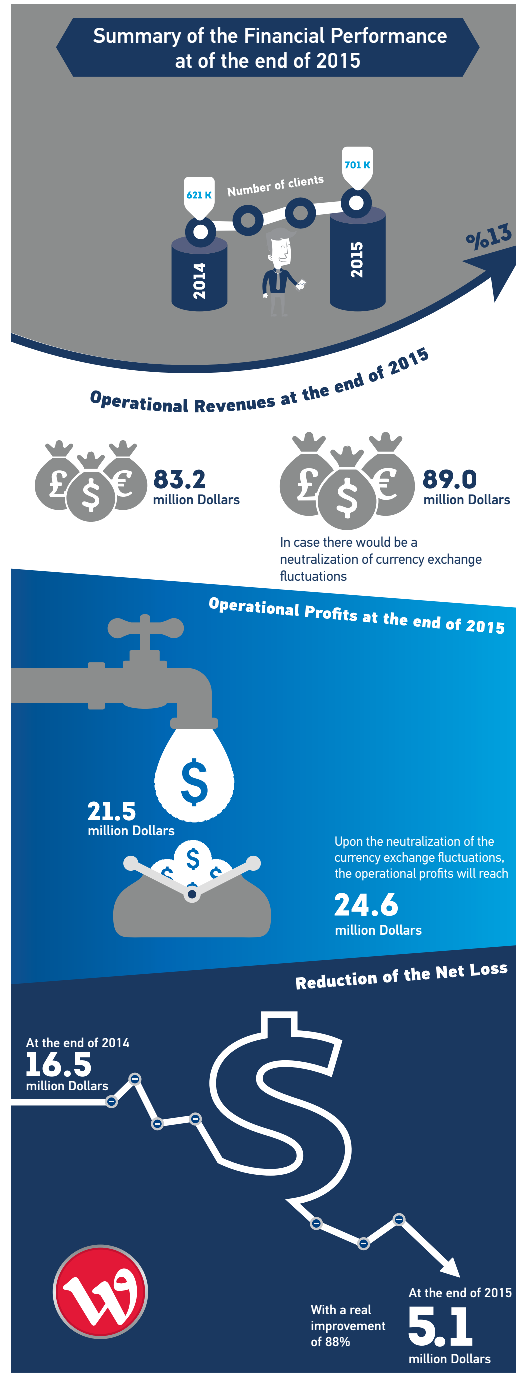
Palestinian Yabous Company for Tourism Investments (Yabous)

In implementation of PIF envision for restructuring its local investments in Palestine; PIF investments in tourisms and hospitality were integrated/ consolidated under Yabous which is a 100% subsidiary of ASWAQ .
Yabous is considered a significant investor and shareholder in most of the strategic tourism investments in Palestine, empowered with strategic PIF partners from Palestine and abroad.. Such investments include the chain of 5 stars Grand Park hotels in Ramallah and Bethlehem, Arab Hotels Company which owns the 5 stars Movenpick hotel in Ramallah, Palestine Tourism Investment Company (PTIC) which owns and operates the famous ancient Jacir Palace Hotel in Bethlehem.

Moreover, Yabous includes PIF investment in the “Convention Palace Company” (CPC) in Bethlehem, as well as several hospitality projects in Jerusalem in true implementation ofPIF’s determination to support the steadfastness of Jerusalem and to initiate new investments which enhance the life of its residents and open new investment horizons by exploring partnerships with local and regional investors.as well as creating new job opportunities which will improve living conditions in the city of Jerusalem

Wataniya Mobile- WM

The services of Wataniya Mobile Company were launched in 2009 in partnership between the Palestine Investment Fund (PIF) and the National Mobile Telecommunications Company (NMTC) which is owned by the Ooredoo Group. Wataniya Mobile is the second licensed mobile operator in Palestine.
The license of Wataniya Mobile includes the installation and operation of the Global System for Mobile Communication (GSM/) and the 3G (third generation) network, as well as providing data telecommunications services in the West Bank and Gaza, in addition to providing international telecommunication services.
Wataniya Mobile has prepared an ambitious plan for the years 2015-2017 aiming to promote its identity/ brand and expand its client base in the West Bank and Gaza Strip. Moreover, the financial indicators of Wataniya Mobile started recovering as shown in the next diagram.
Despite the Israeli impediments through blocking the frequencies of Wataniya Mobile and disrupting the entrance of operational equipment into the Gaza Strip; Wataniya Mobile has succeeded in releasing some parts of the telecommunication network equipment into the Gaza Strip in 2015. Simultaneously, Wataniya Mobile prepared business plans to launch its operations in Gaza Strip immediately after receiving the approval from Israelis.
Side by side with the launch of such operations at Gaza, the Company is working on a plan to launch the 3G services in the near future where the Israelis had recently approved such step and long years of rejection.
Such advancement in the provided service by Wataniya Mobile will enhance the overall market share as well as the financial key performance indicators (KPIs



The market value of ASWAQ in the Palestine Stock Exchange

267 million Dollars

ASWAQ Company is considered one of the largest investors in the Palestine Exchange, and the presence of such large investors is only clear proof that there has been a maturity in the investment environment governing the work of the Palestine Exchange, whereas ASWAQ has contributed in supporting the Palestine Exchange’s efforts to move to global markets and target foreign capital. This combination will inevitably lead to positive effects and results in the market’s components in general, and will create promising opportunities for the companies included in the Palestine Exchange in particular.

Mr. Ahmad Aweidah,
Chief Executive Officer of the Palestine Exchange (PEX)

06 Khazanah For Investment Portfolios

Khazanah serves as the PIF's investment arm in global and regional capital markets, and non-strategic capital market investments in Palestine. Its main objective is to achieve a long term capital appreciation through its professional platform to manage the PIF asset allocation over the medium to the long-term, thus allowing the PIF to diversify its investment portfolio and moderate its investment risk profile.

In addition, it manage the PIF liquidity over the short to medium term to enhance the overall portfolio return, and provides the PIF with an acceptable stream of income in terms of cash dividend and interest income.

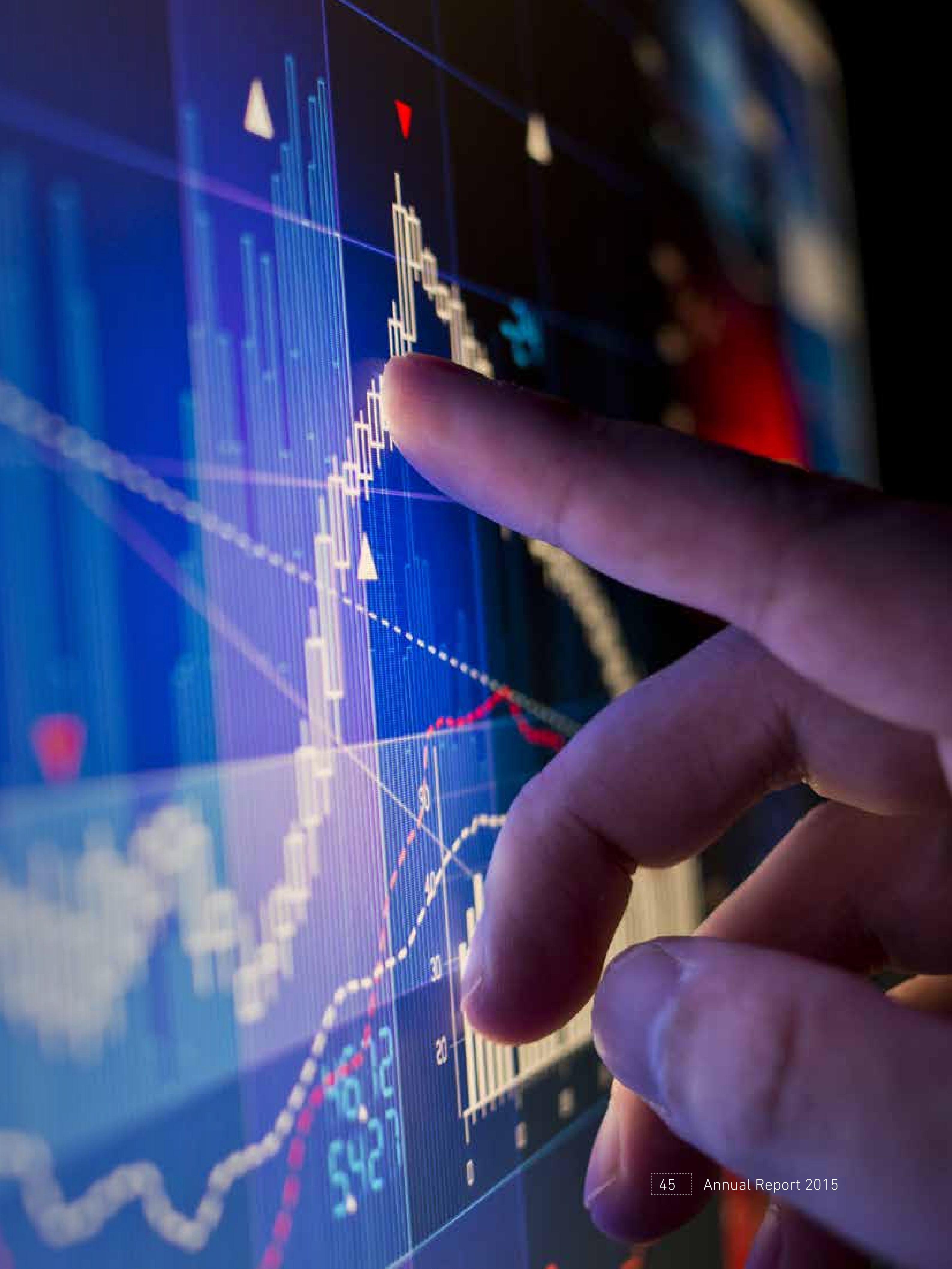
The total capital markets assets under Management (AUM) stands at $ 125 million as of 31 December 2015. These assets reflect the new structure for Khazanah investment, as MENA equity represents 45% of the allocation, 10% for Global public and private equity, 33% for Rasmala Palestine Equity Fund, and 12% for MENA and Palestine fixed income portfolio.

Rasmala Palestine Equity Fund

The Rasmala Palestine Equity Fund was established as one of the most effective funds for investing in stocks in order to attract local, regional and international investment organizations inside the Palestinian Stock Exchange (PSE).

The Fund seeks to achieve long-term capital appreciation by investing in a diversified portfolio of growth and value stocks listed on the Palestine Stock Exchange (PSE), in securities anticipated to undergo initial public offerings as well as securities at their initial public offering. The fund focuses on key economic sectors: banking, telecommunications, investment, and pharmaceutical. The fund will aim to generate Alpha above the Al-Quds Index.

The Fund asset under management stands at USD 46.5 million as of end of 3rd quarter 2015.



07 Palestine for Development Foundation

Palestine for Development Foundation (PsDF) was established by the Palestine Investment Fund to become its arm in the field of Corporate Social Responsibility (CSR) and community development. This Foundation bears the responsibility of implementing the PIF strategy in the field of Community Investments through the financial resources of PIF, in addition to leveraging the good will and interest of other equally minded funders.
The Vision of Palestine for Development Foundation is to strengthen leadership, innovation, and knowledge transfer in the Palestinian society and to enhance the role of SMEs (Small and Medium-Sized Enterprises) since they are a source of providing job opportunities and a source for having a fixed income.

Palestine for Development Foundation currently runs an integrated program of social responsibility and youth empowerment initiatives, along with all the social responsibility programs that were implemented by PIF in the past; including the economic empowerment program for Palestinian refugees in Lebanon which used to be run by PIF.

After having enrolled in the "My Project Starts with an Idea" program, this project became everything that I aspire for; it became a dream to me but this dream will one day become real. After three or four years of implementing this enterprise, I can see it becoming a large place having an area of 400 meters or more, distributed on two floors: the upper one having sewing machines with all its interfaces having soundproof glass so that the clients would be able to see the manufacturing location, while the lower floor would be the display/exhibit place and all the internal walls would be made of wall paper on which there would be the drawing of large-sized designs.

'Ala' Azeez,
MA Fashion design "One of "MY Project Starts with An Idea Project" Beneficiaries

Programs of the Palestine for Development Foundation

The Economic Empowerment Program for Palestinian Refugees in Lebanon

The Economic Empowerment program for Palestinian refugees in Lebanon offers loans for implementing small and micro start-up. This program was launched in 2012 with a capital amount of $1 million U.S. to provide small loans at low interest rates. These loans contribute to providing an income to the beneficiaries create job opportunities and improve the living and economic conditions of the Palestinian refugees in Lebanon.

This program expanded its scope of activities and its capital rose to $1.5 million U.S. and there are future plans to expand the value of this program's portfolio to $2.5 million in 2016. Until the end of 2015, were financed more than 1,500 enterprises (with an estimated value of $2.2 million) in five different sectors.

Jerusalem Grant Facility

Small and Medium-Sized Enterprises (SMEs) are considered the core of the Palestinian economy because of their prominent role in the process of economic and social development. Through the Palestine Development Foundation, PIF sees that the economy of Jerusalem is heavily reliant on the efficiency and expansion of such enterprises. This cannot be achieved without raising the managerial, financial and operational capabilities of these enterprises, hence increasing the job opportunities of Jerusalemites and supporting business and economic activities in the city. This in turn would enhance and solidify the steadfastness of Jerusalem residents. Based on the aforementioned, the Palestine Investment Fund, in cooperation with the European Union, launched the Jerusalem Grant Facility in the beginning of 2014 to support small and medium-sized enterprises. This program targets small and medium-sized enterprises in Jerusalem that are mainly working in a number of economic sectors such as tourism, industry, trade, Information Technology (IT) and tourist transportation; and this program provides funding in the form of grants to the enterprises that demonstrate their ability to utilize the grant to implement an expansion plan and develop their work for the purpose of achieving sustainable growth and making their enterprises more attractive to investors. PIF has implemented the first and second phase of this project and has given 15 grants to enterprises working in various economic sectors.

The Youth Program

In 2013, PIF launched a program called "My Project Starts with an Idea" based on its keenness to empower young people. This program aims to motivate and encourage youth to start engaging in the job market during their university days by having them develop enterprises from a simple idea all the way to the real business world. The Palestine Development Foundation introduced the "My Project Starts with an Idea" program in 2014 and 2015 through consolidating the elements of experience and learning in this program by bringing business experts to orient the students in a direct and specific manner so that they would pursue the necessary steps to start their own businesses. In addition to that, there is the orienting of students to develop currently-existing enterprises (such as their parents' or relatives' businesses). A total of 35 enterprises were selected out of 470 business proposals submitted from eight Palestinian universities (Birzeit University, Palestine Polytechnic University, Palestine Technical University - Kadoorie, Al Quds University Abu Dis, An-Najah National University, Al-Quds Open University, Palestine Ahliya University and the Arab American University of Jenin). Support was given to them to develop their own ideas and to develop their family enterprises through the direct training and orientation of experts and specialists. Also, the administration and coordination of this project were done in cooperation with Birzeit University's Center for Continuing Education.

Palestine Development Foundation will launch in August 2016 its Youth Empowerment Program, in partnership with different local institutions and and International organization interested in Youth empowerment and are key players in this matter . This project will include the students of Technincal Colleges and universities and educational institutes and Youth with technical background only. This Youth Empowerment Program includes several approaches that focus on providing the opportunity to learn some key skills for the start-up of a business enterprise. Moreover, a well-focused direction and guidance will be given by the experts who will orient these young entrepreneurs to locate the organizations and companies which can help them in financing their private businesses.

Photos of 2015

Inauguration of the Amaar Tower at the Ersal Business Center

The visit of Dr. Mohammad Mustafa to the Palestinian refugee camps in Lebanon

Speech of Dr. Muhammad Mustafa titled: “Palestinian Economy between Internationalization and Localization” at the Masarat Conference

The launch of the Jerusalem Grant Facility

Meeting of the General Assembly in 2015

Speech of Dr. Muhammad Mustafa titled: "Palestinian Economy: Towards a New Approach" at the Palestine Economic Policy Research Institute (MAS)

The launch of "Bonyan" program of the Sanad Construction Industries Company

The signing of an agreement between Sharakat and the Palestinian Food Industries Union (PFIU)

Financial Statements


2.75
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4.8
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PALESTINE INVESTMENT FUND COMPANY P.L.C
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

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Independent Auditors' Report to the Shareholder

Palestine Investment Fund Company P.L.C

We have audited the accompanying consolidated financial statements of Palestine Investment Fund Company P.L.C (PIF), which comprise the consolidated statement of financial position as of December 31, 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of PIF as of December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young – Middle East
License # 206/2012

Ernst + Young

April 26, 2016
Ramallah, Palestine

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2015

(U.S $ 000's)

	Notes	U.S. $ 000's 2015	2014
Assets			
Non-current assets			
Property, plant and equipment	4	80,797	76,852
Goodwill	5	26,521	26,521
Investment properties	6	68,330	72,556
Projects in progress	7	35,186	52,529
Investments in associates	8	112,301	103,508
Investment in a joint venture	9	3,694	4,087
Held- to-maturity financial assets	10	14,776	15,862
Available-for-sale investments	11	237,098	217,555
Other financial assets	12	56,078	55,408
		634,781	624,878
Current assets			
Properties ready for sale	13	26,960	7,367
Accounts receivable	14	51,252	35,151
Other current assets	15	25,369	22,795
Cash and deposits at banks	16	60,244	104,907
		163,825	170,220
Total assets		798,606	795,098
Equity and liabilities			
Equity			
Paid-in share capital	17	625,000	625,000
Shareholder's current account	18	(91,393)	(102,554)
Statutory reserve	19	94,088	90,553
Voluntary reserve	19	29,666	26,131
Foreign currency translation reserve		(515)	(509)
Available-for-sale reserve	11	18,291	28,654
Retained earnings		37,790	29,514
Total equity attributable to shareholder		712,927	696,789
Non-controlling interests		1,596	976
Total equity		714,523	697,765
Non-current liabilities			
Long-term loans	21	32,107	38,977
Deferred tax liabilities	22	3,092	4,283
		35,199	43,260
Current liabilities			
Current portion of long-term loans	21	6,902	9,050
Accounts payable	23	24,142	23,215
Provisions and other current liabilities	24	17,840	19,509
Provision for income tax	25	-	2,299
		48,884	54,073
Total liabilities		84,083	97,333
Total equity and liabilities		798,606	795,098

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the Year Ended December 31, 2015

(U.S $ 000's)

	Notes	2015 (U.S. $ 000's)	2014 (U.S. $ 000's)
Operating revenues	26	231,907	207,550
Cost of sales	26	(176,194)	(158,228)
Operating expenses	26	(20,014)	(15,407)
		35,699	33,915
Gain from investment in financial assets	27	15,565	16,145
Interest income	28	2,682	3,003
Change in fair value of investment properties	6	1,894	7,653
Share of associates' results of operations	8	4,250	(588)
Share of joint venture's results of operations	9	(530)	(948)
Investment expenses	29	(2,101)	(2,299)
		57,459	56,881
General and administrative expenses	30	(16,683)	(15,781)
Finance costs		(1,831)	(1,459)
Donations		(2,484)	(1,258)
Depreciation of property, plant and equipment		(1,633)	(1,300)
Currency exchange loss		(507)	(1,730)
Other revenues, net	31	3,280	8,670
Profit before income tax		37,601	44,023
Income tax expense	25	(1,635)	(7,332)
Profit for the year		35,966	36,691
Attributable to:			
The shareholder		35,346	36,237
Non-controlling interests		620	454
		35,966	36,691

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2015
(U.S $ 000's)

	Notes	2015	2014
		U.S. $ 000's	
Profit for the year		35,966	36,691
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net loss on available-for-sale investments	11	(10,363)	(9,127)
Deferred taxes related to other comprehensive income items	11	-	5,341
		(10,363)	(3,786)
Foreign currency translation		(6)	(1,541)
Total other comprehensive income		(10,369)	(5,327)
Total comprehensive income for the year		25,597	31,364
Attributable to:			
The shareholder		24,977	30,910
Non-controlling interests		620	454
		25,597	31,364

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31, 2015

(U.S. $ 000's)

	Attributable to the shareholder									
	Paid-in share capital	Shareholder's current account	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Available-for-sale reserve	Retained earnings	Total	Non-controlling interests	Total equity
2015										
At January 1, 2015	625,000	(102,554)	90,553	26,131	(509)	28,654	29,514	696,789	976	697,765
Profit for the year	-	-	-	-	-	-	35,346	35,346	620	35,966
Other comprehensive income	-	-	-	-	(6)	(10,363)	-	(10,369)	-	(10,369)
Total comprehensive income for the year	-	-	-	-	(6)	(10,363)	35,346	24,977	620	25,597
Shareholder's current account (note 18)	-	(3,639)	-	-	-	-	-	(3,639)	-	(3,639)
Distributed dividends (note 20)	-	20,000	-	-	-	-	(20,000)	-	-	-
Interim dividends (note 20)	-	(5,000)	-	-	-	-	-	(5,000)	-	(5,000)
Transfers	-	-	3,535	3,535	-	-	(7,070)	-	-	-
At December 31, 2015	625,000	(91,393)	94,088	29,666	(515)	18,291	37,790	712,927	1,596	714,523

	Attributable to the shareholder									
	Paid-in share capital	Shareholder's current account	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Available-for-sale reserve	Retained Earnings	Total	Non-controlling interests	Total equity
2014										
At January 1, 2014	625,000	(119,271)	86,929	22,507	1,032	32,440	26,525	675,162	1,400	676,562
Profit for the year	-	-	-	-	-	-	36,237	36,237	454	36,691
Other comprehensive income	-	-	-	-	(1,541)	(3,786)	-	(5,327)	-	(5,327)
Total comprehensive income for the year	-	-	-	-	(1,541)	(3,786)	36,237	30,910	454	31,364
Shareholder's current account (note 18)	-	(1,283)	-	-	-	-	-	(1,283)	-	(1,283)
Distributed dividends (note 20)	-	26,000	-	-	-	-	(26,000)	-	(1,000)	(1,000)
Interim dividends (note 20)	-	(8,000)	-	-	-	-	-	(8,000)	-	(8,000)
Transfers	-	-	3,624	3,624	-	-	(7,248)	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	122	122
At December 31, 2014	625,000	(102,554)	90,553	26,131	(509)	28,654	29,514	696,789	976	697,765

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015
(U.S. $ 000's)

		U.S. $ 000's	
Operating activities	Notes	2015	2014
Profit before tax		37,601	44,023
Adjustments:			
Net interest		(851)	(1,544)
Share of associates' results of operations		(4,250)	588
Share of joint venture's result of operations		530	948
Change in fair value of investment properties		(1,894)	(7,653)
Gain from investment in financial assets		(15,565)	(16,145)
Gain from sale of investment properties		(72)	(841)
(Recovery) provision of doubtful receivables and advances		(938)	143
Loss (gain) from sale of property, plant and equipment		324	(7,018)
Depreciation of property, plant and equipment		6,524	6,027
Other non-cash items		(1,762)	(2,128)
		19,647	16,400
Working capital adjustments:			
Accounts receivable		(15,185)	(8,200)
Other current assets		(2,088)	707
Accounts payable		927	2,164
Provisions and other current liabilities		107	1,888
Income tax paid		(5,248)	(5,508)
Change in restricted cash		(1,052)	(137)
Net cash flows (used in) from operating activities		(2,892)	7,314
Investing activities			
Available-for-sale investments		(31,082)	(22,602)
Purchase of held-to-maturity financial assets		1,000	(3,180)
Purchase of property, plant and equipment		(5,299)	(2,508)
Sale of property, plant and equipment		111	7,234
Investment properties		1,497	2,201
Joint venture		(137)	(250)
Purchase of investment in associates		(4,422)	(6,826)
Projects in progress and properties ready for sale		2,694	3,006
Loans granted		(460)	(863)
Dividends and interest received		18,823	17,942
Change in term deposits maturing after three months		18,570	636
Net cash flows from (used in) investing activities		1,295	(5,210)
Financing activities			
Cash dividends paid		(5,000)	(8,000)
Shareholder's current account		(9,705)	(11,520)
Proceeds from term loans		691	4,538
Settlement of term loans		(9,709)	(3,306)
Change in non-controlling interests		-	122
Finance costs paid		(1,831)	(1,459)
Net cash flows used in financing activities		(25,554)	(19,625)
Decrease in cash and cash equivalents		(27,151)	(17,521)
Cash and cash equivalents, beginning of the year		81,613	99,087
Foreign currency translations differences		6	47
Cash and cash equivalents, end of the year	16	54,468	81,613

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015
(U.S. $ 000's)

1. Corporate information

The Palestine Investment Fund (PIF), a Public Shareholding Company, was incorporated in Gaza under registration number 562600718 on March 17, 2003.

The shareholder of PIF is the Palestinian people represented by a General Assembly that is composed of thirty members from the Palestinian public.

PIF aims to engage in various types of investments that promote economic growth and infrastructure development in Palestine. PIF seeks to achieve sustainable long-term economic prosperity for Palestine through domestic private sector investments as well as attracting foreign-investments.

PIF's consolidated financial statements as at December 31, 2015 were authorized for issuance by the Board of Directors on April 26, 2016.

2. Consolidated financial statements

The consolidated financial statements are composed of the financial statements of PIF and its subsidiaries as at December 31, 2015. PIF's direct and indirect ownership in its subsidiaries' subscribed capital was as follows:

		Ownership %	
	Activity	2015	2014
Sanad Constructions Industries	Trade	100	100
Bulk Express Company	Transportation	60	60
Amaar Real Estate Group	Real estate investment	100	100
Khazaneh Financial Investments Company	Financial investment	100	100
Sharakat for Small and Mid-size Investments	Financial investment	100	100
Aswaq for Investment Portfolios Company	Financial investment	100	100
Others	Investment in real estate and securities	100	100

Most of PIF subsidiaries operate in the Palestinian National Authority territories.

3. Basis of preparation

The consolidated financial statements of PIF have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale investments and investment properties that are measured at fair value as of the financial statements date. The consolidated financial statements have been presented in U.S Dollars which is the functional currency of PIF. All values except when otherwise indicated, are rounded to the nearest thousand dollars (U.S. $ 000's).

Basis of consolidation

The consolidated financial statements comprise the financial statements of PIF and its subsidiaries as at December 31, 2015. Control is achieved when PIF is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, PIF controls an investee if, and only if, PIF has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When PIF has less than a majority of the voting or similar rights of an investee, PIF considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- PIF's voting rights and potential voting rights

PIF re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when PIF obtains control over the subsidiary and ceases when PIF loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date PIF gains control until the date PIF ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of PIF and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group balances, unrealized profits or losses and cash dividends relating to transactions between subsidiaries are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If PIF loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that PIF has adopted the following amended IFRS and IAS as of January 1, 2015. The adoption will not have an effect on the financial position or performance of company:

Amendments to IFRS 3 – Business combination

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with PIF's current accounting policy and, thus, this amendment did not impact the PIF's accounting policy.

Amendments to IFRS 8 – Operating segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

Amendments to IAS 24 – Related party disclosure

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosure. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for PIF as it does not receive any management services from other entities.

Amendments to IAS 40 – Investment properties

The description of ancillary services in IAS 40 differentiates between investment properties and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, PIF has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of PIF.

Standards issued and not yet effective

The following standards and amendments have been issued but are not yet mandatory, and have not been adopted by PIF. These standards and amendments are those that PIF reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. PIF intends to adopt these standards when they become effective.

IFRS 9 - Financial Instruments

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 as issued will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted. PIF is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 11 (Amendments) – Joint arrangements: Accounting for acquisition of interest

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

IAS 16 and IAS 38 (Amendments) – Clarifications of acceptable methods of depreciation and amortization

Amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

IFRS 10 and IAS 28 (Amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. Amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

IFRS 5 (Amendments) – Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IAS 1 (Amendments) – Disclosure initiatives

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

IFRS 16 – Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

Significant accounting judgments, estimates and assumptions

The preparation of PIF's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The below disclosures clarify PIF risk exposures:

- Financial risk management objectives and policies (Note 34)
- Capital management (Note 35)

The key areas involving a higher degree of judgment or complexity are described below:

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Provision for doubtful debts receivables, loans and advances

PIF's subsidiaries provide services to a broad base of clients, using certain credit terms, while PIF provides loans for some of its associates and investment projects. Where PIF and its subsidiaries have objective evidence that they will not be able to collect certain debts, an estimate of the provision is made based on PIF and subsidiaries' historical experience, to determine the level of debts that will not be collected.

Useful lives of tangible and intangible assets

PIF's management reassesses the useful lives of tangible and intangible assets, and adjusts it, if applicable, at each financial year end.

Provision for income tax

PIF and its subsidiaries use certain estimates in determining the provision for income tax. PIF's management believes that the estimates and assumptions used are reasonable.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using appropriate valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of goodwill

The determination whether goodwill is impaired requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Such estimation requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for litigation

PIF's management provides, based on its legal consultants opinions, provisions against any litigations.

Investment properties

The management relies on certified appraisers to determine the fair value of the investment properties.

Summary of significant accounting policies

Revenue recognition

Revenues are recognised to the extent that it is probable that the economic benefits will flow to PIF and its subsidiaries and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes. The following specific recognition criteria must also be met before revenue is recognised:

Real estate sale revenue

Real estate sale revenue is recognised when the major risks and the real estate ownership are transferred to the buyer, which is usually when the real estate is delivered. Interest income on properties instalments are recognised in the period in which it occurs for all the instalment period.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Hotel services revenue

Revenues from rooms' services and other facilities' services are recognized when the outcome of the transaction can be estimated reliably, by referring to the percentage of completion of the transaction at the financial statements date.

Interest income

Revenue is recognised as interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Investment income

Gains or losses on sale of investments in securities are recognised at the date of sale. Dividend revenue is recognised when the right to receive the dividend is established.

Expenses recognition

Expenses are recognised based on the accrual basis of accounting.

Finance costs

Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other finance costs are charged to the consolidated income statement in the period they occur. Finance costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Income tax

PIF provides for income tax in accordance with the Palestinian Income Tax Law (or in accordance with the applicable tax regulations where the entity operates and generates taxable income) and IAS 12. which requires recognising the temporarily differences at the reporting date as deferred taxes.

Income tax expense represents the accrued income tax which is calculated based on PIF's subsidiaries taxable income. Taxable income may differ from accounting income as the later includes non-taxable income or non-deductible expenses. Such income/expenses may be taxable/deductible in the following years.

Current versus non-current classification

PIF presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycles
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycles
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

PIF classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

PIF measures financial instruments and non-financial assets, such as investments properties, at fair value at each reporting date. PIF also discloses the fair value of the held to maturity financial assets in the notes to the consolidated financial statements which include:

- Disclosures for valuation methods, significant estimates and assumptions (Note 3 and 5)
- Quantitative disclosures of fair value measurement hierarchy (Note 32)
- Investment properties (Note 6)
- Financial assets (Note 10 and 11)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by PIF.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

PIF uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets
- Level 2 – Valuation techniques for which the lowest level input that is
- significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is
- significant to the fair value measurement is unobservable

There have been no transfers among the levels mentioned above during 2015 and 2014.

External appraisers are involved for valuation of significant assets. PIF decides, after discussions with the external appraisers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, PIF has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in the consolidated income statement as incurred. Land is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

	Useful lives (years)
Buildings	33 - 50
Transportation means, equipment and spare parts	4 - 10
Computers and systems	3 - 5
Furniture and decoration	14 - 15

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, PIF measures the non-controlling interest in the acquiree at fair value. Acquisition costs incurred are expensed.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated income statement. It is then considered in the determination of goodwill.

Goodwill is initially measured at cost being the excess of the consideration transferred over PIF's fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of PIF's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Investments in associates

PIF's investment in its associates is accounted for using the equity method. An associate is an entity in which PIF has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

Under the equity method, the investment in the associates is carried in the consolidated statement of financial position at cost plus post acquisition changes in PIF's share of net assets of the associates. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement and the statement of comprehensive income reflect the share of the result of operations of the associates. Profits and losses resulting from transactions between PIF and the associates are eliminated to the extent of the interest in the associates.

The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of PIF.

PIF determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case PIF calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

When step acquiring an associate, PIF's share is measured at fair value as at the date of acquiring significant influence over the associate. Any resulting differences are recognized in the consolidated income statement.

Investment in a Joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

PIF has a joint control in joint ventures which constitute jointly controlled entities. Investment in joint ventures is accounted for using the equity method of accounting. According to the equity method, investments in joint ventures appear in the consolidated statement of financial position at cost plus the subsequent changes in PIF's share in the joint ventures net assets. Goodwill resulting from the purchase of joint ventures is recorded as part of the carrying value of the investment. Goodwill in this case is not amortized or tested for impairment separately.

PIF's share in the operations of the joint ventures is recorded in the consolidated income statement. Unrealized gains and losses resulting from transactions between PIF and the joint ventures are excluded to the extent of PIF's share in the joint ventures.

The financial statements for the joint ventures are prepared for the same reporting year as PIF, using consistent accounting policies for transactions of similar nature. At the date of the consolidated financial statements, PIF determines whether there is objective evidence indicating impairment in the value of the joint ventures. If such evidence exists, PIF measures the impairment by deducting the fair value of the investment from the expected recoverable amount; this impairment is recognised in the consolidated income statement.

Projects in progress

Projects in progress constitute the costs incurred on incomplete projects, which include cost of the land, design, construction, direct wages and portion of the indirect costs and finance cost. Upon completion, all projects' costs are capitalized and transferred to property, plant and equipment or to properties ready for sale or investment properties.

The carrying values of projects in progress are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any indication exists, projects in progress value are written down to their recoverable amount.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated income statement in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, PIF accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investments in financial assets

PIF's financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets or available-for sale investments. PIF determines the classification of its financial assets upon initial recognition. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that PIF commits to purchase or sell the asset.

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in this category. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Gains or losses, including changes in fair values, on investments held for trading are recognized in the consolidated income statement.

<u>Available-for-sale investments</u>
Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are not designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated income statement, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated income statement and removed from the available-for-sale reserve, which is in turn reduced by the amount of the impairment.

PIF evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, PIF is unable to trade these financial assets due to inactive markets, PIF may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for the foreseeable future or until maturity.

Available-for-sale investments are stated at cost when their fair value cannot be reliably determined due to the unpredictable nature of future cash flows.

Held-to-maturity financial assets
Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which PIF has the intention and ability to hold-to-maturity. Held-to-maturity financial investments are initially recognized at fair value plus acquisition costs. Subsequently, such investments are re-measured at amortized cost, less any impairment losses, using the effective interest rate method.

Amortized cost is calculated taking into account any discount or premium on acquisition. Amortization is recognized in the consolidated income statement.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Derecognition
A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired, or when PIF has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either PIF has transferred substantially all the risks and rewards of the asset, or PIF has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

An assessment is made at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, any impairment loss is recognized in the consolidated income statement.

- For assets carried at amortized cost: impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate;
- Equity investments classified as available-for-sale: objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Impairment is the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income;
- Debt instruments classified as available-for-sale: impairment is the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated income statement.

Properties ready for sale

Properties ready for sale are measured at cost less any impairment loss, costs of properties ready for sale include cost of construction, studies, design, finance costs, land and indirect costs.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full, or part of the, amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Contributions receivable

Contributions receivable are stated at the original amount of the unconditional pledge less amounts received and any uncollectible pledges. An estimate for the uncollectible amount is made when the collection of full unconditional pledge is no longer probable.

Cash and deposits at banks

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and bank balances and short-term deposits with an original maturity of three months or less, net of restricted bank deposits.

Accounts payable and accrual

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Loans and borrowings

Loans and borrowings are initially recorded at fair value less any transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the consolidated income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Provisions

Provisions are recognised when PIF and its subsidiaries have an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be reliably measured.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

PIF as a lessee

Finance leases, which transfer to PIF substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the consolidated income statement.

Leased assets are depreciated over the useful lives of the assets. However, if there is no reasonable certainty that PIF obtains ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are those leases in which the lessor retains all risk and rewards of owning the leased asset. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

PIF as a lessor

Leases where PIF does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Cash dividends paid

PIF recognizes a liability to make cash distributions when the distribution is authorized by the shareholder in the General Assembly. A corresponding amount is recognized directly in equity.

Foreign currency translation

PIF's consolidated financial statements are presented in U.S. $. which is also the parent's functional currency. PIF's subsidiaries determine their own functional currency. Items included in the financial statements of each entity are measured using subsidiaries' functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by PIF's subsidiaries at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement with the exception for available-for-sale investments where any foreign exchange differences are recognised in other comprehensive income.

PIF subsidiaries

The assets and liabilities of PIF's subsidiaries with functional currencies other than U.S. $ are translated into U.S. $ at the rate of exchange prevailing at the reporting date and their income statements at the weighted average exchange rates for the year. The exchange differences arising on the translations are recognised in other comprehensive income.

4. Property, plant and equipment

2015	Land	Buildings	Transportation means, equipment and spare parts	Computers and systems	Furniture and decoration	Total
	U.S. $ 000's					
Cost						
At January 1, 2015	12,823	39,576	42,933	5,529	4,323	105,184
Additions	925	1,087	1,001	1,531	755	5,299
Transferred from projects in progress (note 7)	815	4,802	-	-	-	5,617
Disposals	-	-	(407)	(15)	(1,193)	(1,615)
Foreign currency translation	(5)	(9)	-	-	-	(14)
At December 31, 2015	14,558	45,456	43,527	7,045	3,885	114,471
Accumulated depreciation and impairment						
At January 1, 2015	526	11,283	12,098	2,731	1,694	28,332
Depreciation charge for the year	-	897	4,561	624	442	6,524
Disposals	-	-	(348)	(14)	(818)	(1,180)
Foreign currency translation	-	(2)	-	-	-	(2)
At December 31, 2015	526	12,178	16,311	3,341	1,318	33,674
Net carrying amount						
At December 31. 2015	14,032	33,278	27,216	3,704	2,567	80,797

Part of the depreciation expense in the amount of U.S. $ 4,891,000 was reclassified as operating expenses for 2015.

– Property, plant and equipment include an amount of U.S. $ 41.909,000 of properties mortgaged to local and regional banks against loans (note 21).

	U.S. $ 000's					
2014	Land	Buildings	Transportation means, equipment and spare parts	Computers and systems	Furniture and decoration	Total
Cost						
At January 1, 2014	13,206	32,204	62,669	5,400	4,533	118,012
Additions	17	1,062	1,578	636	24	3,317
Transferred from projects in progress (note 7)	-	7,232	-	175	54	7,461
Disposals	-	(260)	(21,314)	(682)	(288)	(22,544)
Foreign currency translation	(400)	(662)	-	-	-	(1,062)
At December 31, 2014	12,823	39,576	42,933	5,529	4,323	105,184
Accumulated depreciation and impairment						
At January 1, 2014	526	10,724	28,896	2,588	1,481	44,215
Depreciation charge for the year	-	616	4,410	574	427	6,027
Disposals	-	(6)	(21,208)	(431)	(214)	(21,859)
Foreign currency translation	-	(51)	-	-	-	(51)
At December 31, 2014	526	11,283	12,098	2,731	1,694	28,332
Net carrying amount						
At December 31, 2014	12,297	28,293	30,835	2,798	2,629	76,852

Part of the depreciation expense in the amount of U.S. $ 4,727,000 was reclassified as operating expenses for 2014.

Property, plant and equipment include an amount of U.S. $ 47,982,000 of properties mortgaged to local and regional banks against loans (note 21).

5. Goodwill

For impairment testing, goodwill has been allocated to two cash generating units, which are also reportable business segments of PIF. The goodwill carried in the statement of financial position is as follows:

	U.S. $ 000's	
	2015	2014
Trade and transportation	25,604	25,604
Tourism	917	917
	26,521	26,521

Trade and transportation

The recoverable amount of the trade and transportation segment has been determined based on the "value in use" calculation using the discounted cash flow method based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 12.8%, and cash flows beyond the five-year period are extrapolated using a 1% growth rate.

Tourism

The recoverable amount of the tourism segment has been determined based on the "value in use" calculation using the discounted cash flow method based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 11.6%.

Key assumptions used in the calculation of the value in use

The calculations of value in use for all business segments are most sensitive to the discount and growth rates used to extrapolate cash flows beyond the budget period:

Discount rate: Discount rate represents management's assessment of the risks specific to each business segment taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of PIF and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by PIF's investors. The cost of debt is based on the interest-bearing borrowings PIF is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Growth rate estimates: Growth rates are based on the value of the business segment's operations after the explicit budget period. In determining appropriate growth rates, regard has been given to the competitive forces that are expected to prevail after the explicit budget period.

With regard to the assessment of the value in use of all business segments, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the business segments to materially exceed its recoverable amount.

6. Investment properties

Following is the movement on investment properties during the year:

	U.S. $ 000's	
	2015	2014
Balance, beginning of year	72,556	66,224
Additions	6,962	13,274
Sale of investment properties	(2,521)	(2,751)
Transferred to projects in progress	(10,561)	(11,844)
Change in fair value of investment properties	1,894	7,653
Balance, end of year	68,330	72,556

7. Projects in progress

	U.S. $ 000's	
	2015	2014
Balance, beginning of year	52,529	47,793
Additions	7,823	9,649
Projects sold out	(8,190)	(9,130)
Transferred to properties ready for sale	(21,920)	(166)
Transferred to property, plant and equipment	(5,617)	(7,461)
Transferred from investment properties	10,561	11,844
Balance, end of year	35,186	52,529

Following are details of the projects in progress:

	U.S. $ 000's	
	2015	2014
Ersal Center project	14,890	15,279
Surda land development project	10,561	-
Al-New'emeh land development project	4,545	6,307
Al Reehan and Al Jenan project	2,482	10,465
Al-Masyoun land development project	2,193	-
Amaar Tower project	-	20,408
Other projects	515	70
	35,186	52,529

8. Investments in associates

This item represents investments in associates operating in Palestine:

	Ownership		Carrying Amount	
	2015	2014	2015	2014
	%	%	U.S. $ 000's	
Wataniya Palestine Mobile Telecommunications Company (Listed)	34.03	34.03	23,719	25,467
Palestinian Islamic Bank (Listed)	34.18	34.18	23,087	21,111
Arab Palestinian Investment Company - APIC (Listed)	23.53	20.20	18,518	15,452
Arab Islamic Bank (Listed)	21.23	21.23	14,438	14,167
Palestine Industrial Investment Company (Listed)	20.63	20.63	9,163	8,729
Palestine Tourism Investment Company	28.25	28.25	5,408	5,810
Hospitality Holly Company	40.30	40.30	4,050	4,050
Palestine Power Generation Company	39.64	39.64	3,782	3,874
Palestine Ijara Company - LTD	33.33	33.33	2,528	703
Arab Hotels Company (Listed)	20.23	-	3,874	-
Others	27-43	27-43	3,734	4,145
			112,301	103,508

- The market value of PIF's investments listed in Palestine Exchange as of December 31, 2015 amounted to U.S. $ 146,677,471.
- Investment in Wataniya Palestine Mobile Telecommunication Company includes 77,658,000 shares with a total market value of U.S. $ 66,009,000 mortgaged against a syndicated loan granted from banks to Wataniya Palestine Mobile Telecommunications Company.
- During 2015, a subsidiary acquired shares in Arab Hotels Company (AHC). As a result, PIF increased its ownership in AHC's capital to 20.23%. PIF's management believes that it has significant influence over AHC. Therefore, PIF reclassified the investment to investment in an associate.
- During 2015, PIF acquired additional shares in Arab Palestinian Investment Company (APIC), and increased its ownership in APIC's capital to 23.53%.

The following schedule summarizes the financial information related to PIF's investments in associates:

	U.S. $ 000's											
December 31, 2015	Wataniya Mobile Company	Palestinian Islamic Bank	Arab Palestinian Investment Company	Arab Islamic Bank	Palestine Industrial Investment Company	Palestine Tourism Investment Company	Hospitality Holly Company	Palestine Power Generation Company	Palestine Ijara Company	Arab Hotels Company	Others	Total
Statements of Financial Positions:												
Non-current Assets	203,526	484,020	116,711	242,902	49,227	32,058	8,052	6,170	3,497	40,384	8,294	1,194,841
Current Assets	43,674	151,183	161,832	407,651	21,385	631	2,558	1,452	4,351	2,131	2,320	839,216
Non-current Liabilities	(104,392)	(12,593)	(57,706)	(15,501)	(1,732)	(8,605)	(10)	(54)	(49)	(12,923)	(251)	(213,816)
Current Liabilities	(73,107)	(589,312)	(109,456)	(566,089)	(14,283)	(4,939)	(485)	(358)	(215)	(5,328)	(14)	(1,363,586)
Non-controlling interests	-	-	(29,785)	-	(11,208)	-	-	-	-	-	-	(40,993)
Unpaid capital	-	-	-	-	-	-	-	71	-	-	-	71
Equity holders of the associate	69,701	73,298	81,596	69,003	43,389	19,145	10,115	7,281	7,584	24,264	10,357	415,733
PIF's ownership	23,719	25,053	19,200	14,649	8,952	5,408	4,076	2,886	2,528	4,909	3,734	115,114
Adjustments	-	(1,966)	(682)	(211)	211	-	(26)	896	-	(1,035)	-	(2,813)
Carrying amount of investment	23,719	23,087	18,518	14,438	9,163	5,408	4,050	3,782	2,528	3,874	3,734	112,301
Revenues and results of operations:												
Revenues	83,199	29,333	523,592	22,349	50,178	3,623	1,553	291	325	6,229	260	720,932
Results of operations	(5,137)	10,034	7,144	5,387	4,734	(1,422)	132	(231)	(526)	(1,280)	(1,233)	17,602
PIF's share of results of operations	(1,748)	3,434	1,476	1,144	967	(402)	53	(92)	(175)	-	(407)	4,250
PIF's share of other comprehensive income	-	(6)	249	(23)	11	-	-	-	-	-	-	231

	U.S. $ 000's										
December 31, 2014	Wataniya Mobile Company	Palestinian Islamic Bank	Arab Palestinian Investment Company	Arab Islamic Bank	Palestine Industrial Investment Company	Palestine Tourism Investment Company	Hospitality Holly Company	Palestine Power Generation Company	Palestine Ijara Company	Others	Total
Statements of Financial Positions:											
Non-current Assets	210,278	216,974	96,892	165,343	48,768	32,371	9,731	5,903	506	9,728	796,494
Current Assets	57,901	378,286	155,198	396,566	20,454	1,022	901	2,261	2,013	3,745	1,018,347
Non-current Liabilities	(121,487)	(8,448)	(46,942)	(12,213)	(2,451)	(8,788)	(3)	(43)	(22)	(268)	(200,665)
Current Liabilities	(71,852)	(519,287)	(99,176)	(481,966)	(14,575)	(4,039)	(514)	(679)	(387)	(142)	(1,192,617)
Non-controlling interests	-	-	(28,424)	-	(10,908)	-	-	-		-	(39,332)
Unpaid capital	-	-	-	-	-	-	-	71	-	-	71
Equity holders of the associate	74,840	67,525	77,548	67,730	41,288	20,568	10,115	7,513	2,110	13,063	382,298
PIF's ownership	25,467	23,077	15,666	14,378	8,518	5,810	4,076	2,978	703	4,145	104,818
Adjustments	-	(1,966)	(214)	(211)	211	-	(26)	896	-	-	(1,310)
Carrying amount of investment	25,467	21,111	15,452	14,167	8,729	5,810	4,050	3,874	703	4,145	103,508
Revenues and results of operations:											
Revenues	85,311	24,038	545,414	19,970	44,525	4,471	1,511	-	72	109	725,421
Results of operations	(16,526)	7,523	8,016	4,217	4,016	(1,057)	198	(641)	(890)	(891)	3,965
PIF's share of results of operations	(5,624)	2,571	1,619	895	829	(299)	80	(90)	(297)	(272)	(588)
PIF's share of other comprehensive income	-	(158)	(88)	(19)	(593)	-	-	-		-	(858)

9. Investment in a joint venture

	U.S. $ 000's	
	2015	2014
Convention Palace Company	3,694	4,087
	3,694	4,087

The Convention Palace Company in Solomon Pools (CPC), was established as a private limited shareholding company, with a share capital of 1,000,000 shares of U.S. $ 1 par value each, of which 50% is owned by PIF. CPC is jointly managed with Consolidated Contractors Company (Athens). The objective of CPC is to operate the Convention Center Palace in Bethlehem.

The following schedule summarizes the financial information related to PIF's investments in CPC:

	U.S. $ 000's	
	Convention Palace Company	
	2015	2014
Statement of financial position of joint venture		
Non-current assets	10,862	12,122
Current assets	310	342
Non-current liabilities	(1,010)	(1,632)
Current liabilities	(2,774)	(2,658)
Equity attributable to venturers	7,388	8,174
PIF's ownership	3,694	4,087
Carrying amount of investment	3,694	4,087
Revenues and results of operations		
Revenues	470	302
Results of operations	(1,059)	(1,896)
PIF's share of results of operations	(530)	(948)

10. Held-to-maturity financial assets

	U.S. $ 000's	
	2015	2014
Bonds quoted in local and regional markets	10,876	11,962
Unquoted local bonds	3,900	3,900
	14,776	15,862

Average interest rates on held to maturity investment range between 2.5% to 7.6% and their maturity dates range between 1 to 8 years.

The market value of the quoted bonds is U.S. $ 10,952,000 and U.S. $ 12,088,000 as at December 31, 2015 and 2014, respectively.

11. Available-for-sale investments

	U.S. $ 000's	
	2015	2014
Quoted shares	175,677	157,806
Quoted portfolios	54,428	52,387
Unquoted shares *	6,993	7,362
	237,098	217,555

* Unquoted shares are stated at cost as their fair values cannot be reliably measured due to the unpredictable nature of future cash flows. PIF's management believes that the fair values of such investments are not materially different from their carrying amounts.

Movement on available-for-sale reserve is as follows:

	U.S. $ 000's	
	2015	2014
Balance, beginning of year	28,654	32,440
Net change in fair value	(8,369)	(6,457)
Deferred income taxes related to other comprehensive income items	-	5,341
Realized gains transferred to the consolidated income statement	(5,696)	(4,766)
Impairment loss recognized in the consolidated income statement	3,702	2,096
Balance, end of year	18,291	28,654

12. Other financial assets

	U.S. $ 000's	
	2015	2014
Prepayment on investment *	45,800	45,800
Loans granted **	10,278	9,608
	56,078	55,408

* According to Ministry of Finance letter dated June 28, 2010, the amount of U.S. $ 45.8 million previously paid on the shareholder account was considered as a prepayment on investment in Wataniya Palestine Mobile Telecommunications Company (Associate). The amount represents PIF's share in the remaining amount of the second operator license which was paid in advance to the Ministry of Telecommunications and Information Technology (MTIT), until Wataniya obtains the frequencies required in accordance with the agreement signed with the MTIT.

** This item includes loans to the following:

	U.S. $ 000's	
	2015	2014
Wataniya Palestine Mobile Telecommunications Company*	2,150	2,150
Palestine for Credit and Development - FATEN **	2,056	2,735
Latin Patriarchate Jerusalem	1,200	1,500
Palestine Tourism Investment Company***	730	-
The Arab Hotels Company	620	620
Asala for Credit & Development Company****	500	-
Palestine Development Fund	470	607
Al Mashtal Tourism Investment Company	406	406
Others	1,231	885
Accrued interest on loans	915	705
	10,278	9,608

* The loan granted to Wataniya Palestine Mobile Telecommunications Company bears interest of LIBOR plus 5.85%. The loan will be settled in one payment at the later of December 31, 2014, or six months after the maturity of all or any priority loan of Wataniya Mobile.

** During 2013, Palestine for Credit and Development - FATEN was granted a loan of U.S $ 3 million, with an annual interest rate of 5%. The loan and the related interests will be settled in nine semiannual installments after a grace period of one year from the granting date.

*** During the year, Palestine Tourism Investment Company was granted a loan of U.S $ 0.73 million with an annual interest rate of 7.5%. The loan and the related interests will be settled in one installment after a grace period of two years from the granting date.

**** During the year, Asala for Credit & Development Company was granted a loan for an amount of U.S $ 0.5 million with an annual interest rate of 5%. The loan and the related interests will be settled in seven semiannual installments after a grace period of one year from the granting date.

Other granted loans bear interest rates from 1% to 7.5% and are due within 1 to 10 years.

13. Properties ready for sale

This item represents the cost of residential units transferred from projects in progress upon completion and becoming ready for sale.

Movement on properties ready for sale is as follows:

	U.S. $ 000's	
	2015	2014
Balance, beginning of year	7,367	10,726
Transferred from projects in progress	21,920	166
Sold properties	(2,327)	(3,525)
Balance, end of year	26,960	7,367

Properties ready for sale include properties in a carrying amount of U.S. $ 22,915,000 fully mortgaged for the benefit of local and regional banks as collateral on granted loans (Note 21).

14. Accounts receivable

	U.S. $ 000's	
	2015	2014
Trade receivables	25,735	20,801
Checks under collection	25,401	15,061
Cap Holding Company	11,305	11,305
First Trading Center	1,498	1,477
Others	1,031	1,141
	64,970	49,785
Provision for doubtful accounts	(13,718)	(14,634)
	51,252	35,151

The movement on the provision for doubtful accounts during the year was as follows:

	U.S. $ 000's	
	2015	2014
Balance, beginning of year	14,634	15,046
Additions	65	86
Recovered during the year	(1,003)	(32)
Foreign currency differences	22	(466)
Balance, end of year	13,718	14,634

Nominal value of doubtful accounts receivable which are fully provided for as of December 31, 2015 and 2014 amounted to U.S. $ 13,718,000 and U.S. $ 14,634,000, respectively. As of December 31, 2015 and 2014, the aging analysis of the unimpaired accounts receivables is as follows:

	U.S. $ 000's				
		Neither past	Past due but not impaired		
	Total	due nor impaired	< 90 days	91-180 days	> 181 days
2015	51,252	25,128	13,561	10,051	2,512
2014	35,151	15,702	4,405	11,669	3,375

PIF's subsidiaries obtain guarantees against some of these receivables. The subsidiaries' management believes that the value of the unimpaired receivables is recoverable.

15. Other current assets

	U.S. $ 000's	
	2015	2014
Due from brokerage firms	8,633	2,684
Due from Value Added Tax department	6,532	6,463
Contribution receivable*	4,373	4,608
Advances to suppliers	3,941	4,291
Cash margins	1,175	4,611
Dividends receivable	514	-
Accrued interest	503	662
Due from employees	335	489
Prepaid expenses	266	160
Advance payments to Income Tax Department (Note 25)	126	-
Others	1,555	1,416
	27,953	25,384
Provision for uncollectible current assets	(2,584)	(2,589)
	25,369	22,795

* This account represents contribution receivable from donors. These contributions aim to develop the private sector in Jerusalem especially for small and medium enterprises (note 24).

The movement on the provision of uncollectible current assets during the year was as follows:

	U.S. $ 000's	
	2015	2014
Balance, beginning of year	2,589	2,540
Provided for during the year	-	89
Foreign currency differences	(5)	(40)
Balance, end of year	2,584	2,589

16. Cash and deposits at banks

	U.S. $ 000's	
	2015	2014
Cash in hand and current accounts at banks	13,295	18,494
Term deposits at banks	46,949	86,413
	60,244	104,907

The average interest rate during 2015 and 2014 was 2.33% and 2.08% on U.S. Dollar deposits, 3.96% and 4.04% on Jordanian Dinar deposits and 1.54% and 1.51% on Qatari Riyal deposits, respectively.

Cash and deposits at banks include restricted cash of U.S. $ 3,378,000 and U.S. $ 2,326,000 as at December 31, 2015 and 2014, respectively, as a collateral against certain banks facilities.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at December 31, 2015 and 2014:

	U.S. $ 000's	
	2015	2014
Cash on hand and current accounts at banks	13,295	18,494
Term deposits at banks	46,949	86,413
	60,244	104,907
Deposits maturing after 3 months	(2,398)	(20,968)
Restricted cash	(3,378)	(2,326)
	54,468	81,613

17. Paid-in capital

PIF's paid-in-capital represents the fair value of net assets transferred by the shareholder as determined by Standard & Poor's valuation reports at the date of establishment of PIF. On May 16, 2011, the General Assembly approved the capital increase to U.S. $ 625 million with an increase of U.S. $ 51 million through the capitalization of part of PIF's retained earnings.

18. Shareholder's current account

This item represents the current account between PIF and the shareholder and is not subject to any interest. Following are the details of this account:

	U.S. $ 000's	
	2015	2014
Receivables on returned lands	42,059	47,925
Interim dividends (note 20)	5,000	8,000
Aviation receivable	35,177	39,644
Other	9,157	6,985
	91,393	102,554

19. Reserves

Statutory Reserve

Statutory reserve represents accumulation of profits transferred at 10% of annual net profit in accordance with the Palestinian Companies' Law. This reserve is not available for distribution to the shareholder.

Voluntary Reserve

Based on the Board of Directors recommendation dated July 14, 2009, a voluntary reserve is appropriated at 10% of PIF's profit starting from 2009, for the purpose of supporting economic development projects in Palestine. PIF started during 2011 to support certain small and medium projects.

20. Paid and proposed dividends

The Board of Directors decided in its meeting held on May 19, 2015 to distribute interim dividends of U.S. $ 5 million out of PIF's 2015 profits, subject to the approval of the General Assembly in its first meeting during 2016.

The General Assembly approved in its meeting held on May 14, 2015 the distribution of U.S. $ 8 million interim dividends in 2014 based on Board of Director's decision dated January 20, 2014, in addition to U.S. $ 12 million cash dividends to the shareholder deducted from the shareholder's current account. Thus, total dividends distributed amounted to U.S. $ 20 million.

The General Assembly approved in its meeting held on May 18, 2014 the distribution of U.S. $ 20 million interim dividends in 2013 based on Board of Director's decision dated January 8, 2013, in addition to U.S. $ 6 million cash dividends to the shareholder deducted from the shareholder's current account. Thus, total dividends distributed amounted to U.S. $ 26 million.

During 2014, Bulk Express Company (subsidiary) distributed cash dividends of U.S. $ 2.5 million. The non-controlling interest share of the distributed dividends amounted to U.S. $ 1 million (note 24).

21. Long- term loans

	U.S. $ 000's	
	2015	2014
Long-term loans	39,009	48,027
Current portion of long-term loans	(6,902)	(9,050)
	32,107	38,977

PIF and its subsidiaries signed long-term loan agreements with local and regional banks to finance these companies' operations. Interest rates range from 1.75% in addition to one to six months LIBOR with a ceiling of 9%. The loans are to be settled within a period of 3 to 10 years. The utilized loan balances as of December 31, 2015 and 2014 amounted to U.S. $ 39,009,000 and U.S. $ 48,027,000, respectively. The loans were granted with the mortgage of part of these companies' properties (notes 4 and 13).

The maturities of interest-bearing loans are as follows:

	U.S. $ 000's
2016	6,902
2017	7,229
2018	12,509
2019	5,521
2020	2,685
Thereafter	4,163
	39,009

22. Deferred tax liabilities

Movement on deferred tax liabilities resulting from re-evaluating investment properties at fair value was as follows:

	U.S. $ 000's	
	2015	2014
Balance, beginning of year	4,283	8,677
Additions	284	1,513
Adjustment resulting from tax rate reduction	(977)	-
Amortization	(498)	(5,907)
Balance, end of year	3,092	4,283

23. Accounts payable

	U.S. $ 000's	
	2015	2014
Trade payables	17,930	16,435
Apartments sales advances	3,752	2,231
Contractors payables	2,363	4,298
Brokerage firms payables	48	189
Others	49	62
	24,142	23,215

24. Provisions and other current liabilities

	U.S. $ 000's	
	2015	2014
Temporarily restricted contribution *	5,279	7,055
Accrued expenses	2,827	3,142
Provision for employees indemnity **	2,728	2,251
Postponed checks	2,339	2,713
Dividends payable (note 20)	1,000	1,000
Property improvement taxes	812	814
Employees' income tax payable	290	283
Employees accrued bonuses	1,345	1,140
Other	1,220	1,111
	17,840	19,509

* This account represents total temporarily restricted contributions from different donors. These contributions aim to develop the private sector in Jerusalem especially for small and medium enterprises. Revenues are recognised when the purpose or time of these contributions is satisfied. Following is the movement on temporarily restricted contributions during 2015 and 2014:

	U.S. $ 000's	
	2015	2014
Balance, beginning of year	7,055	4,916
Additions	-	2,418
Released from restriction	(1,499)	(93)
Foreign currency differences	(277)	(186)
Balance, end of year	5,279	7,055

** Following is the movement on provision for employees indemnity:

	U.S. $ 000's	
	2015	2014
Balance, beginning of year	2,251	2,442
Additions	802	658
Payments	(325)	(849)
Balance, end of year	2,728	2,251

25. Provision for income tax

The taxable income of PIF and its subsidiaries is subject to income tax at the corporate rate of %15 (2014: %20).
Based on a memorandum of understanding with the Ministry of Finance, PIF and its subsidiaries taxable income became subject to income tax.
Following is the movement on the provision for income tax during 2015 and 2014:

	U.S. $ 000's	
	2015	2014
Balance, beginning of year	2,299	883
Additions during the year	4,043	6,163
Discounts on early payments	(305)	-
Recovered during the year	(1,410)	(344)
Amortization of deferred tax liabilities	498	566
Payments during the year	(5,248)	(5,508)
Foreign currency differences	(3)	539
Balance, end of year (note 15)	(126)	2,299

PIF and some of its subsidiaries reached final settlements with the Income Tax Department for the results of its operations up to 2014. These settlements resulted in a net recovery of an amount of U.S. $ 1,410,000.

Taxes shown in the consolidated income statement represent the following:

	U.S. $ 000's 2015	U.S. $ 000's 2014
Additions during the year	4,043	6,163
Discounts on early payments	(305)	-
Recovery during the year	(1,410)	(344)
Deferred tax liabilities	(693)	1,513
	1,635	7,332

26. Operating revenues

	U.S. $ 000's			
	2015			
	Operating revenues	Cost of sales	Operating expenses	Operating income
Investment	7,033	-	(6,234)	799
Trade and transportation	200,102	(161,588)	(11,405)	27,109
Real estate	20,174	(13,128)	(175)	6,871
Tourism	4,598	(1,478)	(2,200)	920
	231,907	(176,194)	(20,014)	35,699

	U.S. $ 000's			
	2014			
	Operating revenues	Cost of sales	Operating expenses	Operating income
Investment	8,842	-	(8,162)	680
Trade and transportation	173,918	(140,731)	(4,928)	28,259
Real estate	20,144	(15,412)	-	4,732
Tourism	4,646	(2,085)	(2,317)	244
	207,550	(158,228)	(15,407)	33,915

27. Gain from investment portfolio

	U.S. $ 000's 2015	U.S. $ 000's 2014
Gain from sale of available-for-sale investments	5,696	4,766
Dividends income	12,894	12,842
Impairment of available-for-sale investments	(3,702)	(2,096)
Interest on bonds	677	633
	15,565	16,145

28. Interest income

	U.S. $ 000's 2015	U.S. $ 000's 2014
Interest on deposits with banks	2,291	2,648
Interest on granted loans	391	355
	2,682	3,003

29. Investment expenses

	U.S. $ 000's	
	2015	2014
Employees' salaries, wages and benefits	1,280	1,235
Professional fees	599	833
Travel and transportation	83	85
Others	139	146
	2,101	2,299

30. General and administrative expenses

	U.S. $ 000's	
	2015	2014
Employees' salaries, wages and benefits	8,694	8,463
Professional fees	3,854	3,260
Rents	593	631
Marketing	575	430
Travel and transportation	554	608
Telephones and courier	306	327
Fees and subscriptions	302	332
Maintenance	254	379
Insurance	287	354
Printings and stationery	113	67
Board of Directors remuneration	167	167
Hospitality	126	131
Others	858	632
	16,683	15,781

31. Other revenues (expenses)

	U.S. $ 000's	
	2015	2014
Released from restriction contributions (note 24)	1,499	93
Recovery (provision) for accounts receivable	938	(54)
(Loss) gain on sale and disposal of property, plant and equipment	(324)	7,018
Provision for uncollectible current assets	-	(89)
Assets recovery	-	2,156
Value added tax	-	(1,392)
Other revenues	1,167	938
	3,280	8,670

32. Fair values measurement

The following table provides the fair value measurement hierarchy of PIF's assets as of December 31, 2015:

	Date of measurement	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		U.S. $ 000's		
Assets measured at fair value:				
Quoted available-for-sale investments	December 31, 2015	230,105	-	-
Investment properties	December 31, 2015	-	-	68,330
Financial assets for which fair value is disclosed:				
Quoted held-to-maturity financial assets	December 31, 2015	10,952	-	-

The following table provides the fair value measurement hierarchy of PIF's assets as of December 31, 2014:

	Date of measurement	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		U.S. $ 000's		
Assets measured at fair value:				
Quoted available-for-sale investments	December 31, 2014	210,193	-	-
Investment properties	December 31, 2014	-	-	72,556
Financial assets for which fair value is disclosed:				
Quoted held-to-maturity financial assets	December 31, 2014	12,088	-	-

There have been no transfers among the Levels mentioned above during the years 2015 and 2014.

The main assumptions used to determine the fair value of investment properties are as follows:

PIF assigns licensed external appraisers to assess the fair value of investment properties which mainly represents prices for similar lands sold during the year, the fair value is calculated by multiplying fair value per meter square by the total area of the land. PIF recognizes the fair value of investment properties in its financial statements based on the valuation of external appraisers and according to policies approved by the Board of Directors.

The following table represents the sensitivity of investment properties' fair value:

2015	Increase/ decrease in fair value %	Effect on fair value and profit for the year U.S. $ 000's
Fair value per meter square	+ 5	2,412
Fair value per meter square	- 5	(2,412)

2014	Increase/ decrease in fair value %	Effect on fair value and profit for the year U.S. $ 000's
Fair value per meter square	+ 5	2,293
Fair value per meter square	- 5	(2,293)

Fair values of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of PIF's financial instruments carried in the financial statements as at December 31, 2015 and 2014:

	U.S. $ 000's			
	Carrying amount		Fair value	
	2015	2014	2015	2014
Financial assets				
Loans granted	10,278	9,608	10,278	9,608
Available-for-sale investments-quoted	230,105	210,193	230,105	210,193
Held-to-maturity financial assets-quoted	10,876	11,962	10,952	12,088
Accounts receivable	51,252	35,151	51,252	35,151
Other financial assets	23,094	18,207	23,094	18,207
Cash and deposits at banks	60,244	104,907	60,244	104,907
	385,849	390,028	385,925	390,154
Financial liabilities				
Accounts payable	20,390	20,984	20,390	20,984
Loans	39,009	48,027	39,009	48,027
Other current liabilities	9,833	11,857	9,833	11,857
	69,232	80,868	69,232	80,868

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of accounts receivable, other financial assets, cash and deposits at banks, accounts payable, and other current liabilities and the short term loans approximate their carrying amounts due to the short-term maturities of these instruments.

– The fair value of the loans granted and long term loans are estimated by discounting future cash flows using rates currently available for debt on similar credit terms. The carrying amount of the loans granted and long term loans are not materially different from their fair value.

– The fair values of quoted available-for-sale investments were based on their price quotations at the reporting date.

The fair values of quoted bonds are based on price quotations at the reporting date.

33. Related party transactions

This item represents transactions with related parties. Related parties represent associated companies, the shareholder, Board of Directors, key management personnel of PIF, and entities controlled, or significantly influenced by such parties. Price policies and terms related to transactions with related parties are approved by PIF's Board of Directors.

Balances with related parties included in the consolidated statement of financial position are as follows:

	U.S. $ 000's	
	2015	2014
Shareholder's current account (debit)	91,393	102,554
Loans granted to associates and related accrued interest	4,303	2,742
Cash and deposits at banks (associate)	3,057	5,929
Accrued Board of Directors remuneration	150	150

Transactions with related parties included in the consolidated income statement during the year are as follows:

	U.S. $ 000's	
	2015	2014
Leasing of transportation means to the shareholder	7,033	8,747
Interest income on loans to associates	201	130

Key management salaries and remuneration of PIF and its subsidiaries are as follows:

	U.S. $ 000's	
	2015	2014
Board of Directors remuneration	167	167
Key management share of salaries and related benefits	2,742	2,757
Key management share of end of service indemnity	187	161

Furthermore, PIF is considered as a guarantor for a loan granted to an associate (note 8). Also, a major portion of PIF's investment in this associate is mortgaged against that loan.

34. Risk management

PIF's financial liabilities comprise loans, accounts payable and some other financial liabilities. The main purpose of these financial liabilities is to raise finance for PIF's operations. PIF has various financial assets such as accounts receivables, other financial assets, loans granted, cash and deposits at banks, available-for-sale investments and financial assets held-to-maturity which arise directly from PIF's operations.

The main risks arising from PIF's financial instruments are interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. PIF's Board of Directors reviews and approves policies for managing these risks which are summarized below:

Interest rate risk

PIF and its subsidiaries' exposure to the risk of changes in interest rates relates primarily to interest bearing assets and liabilities, such as short-term deposits, loans granted and obtained long term loans. The following table demonstrates the sensitivity of PIF's consolidated income statement as at December 31, 2015 and 2014 to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on PIF's profit for one year, based on assets and liabilities with floating interest rates at December 31, 2015. The effect of decreases in interest rate is expected to be equal and opposite to the effect of the increases shown below:

2015	Increase in interest rate (basis points)	Effect on profit for the year U.S. $ 000's
U.S. Dollar	+10	5
Jordanian Dinar	+10	15
Other currencies	+10	7

2014	Increase in interest rate (basis points)	Effect on profit for the year U.S. $ 000's
U.S. Dollar	+10	30
Jordanian Dinar	+10	29
Other currencies	+10	9

– **Foreign currency risk**

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. $ exchange rate against other currencies, with all other variables held constant, of PIF's profit and equity. The Jordanian Dinar (JOD) and the Qatari Riyal (QR) are linked to U.S. $. Therefore, no effect resulting from the fluctuations in JOD and QR rates is expected on the consolidated financial statements. The effect of decreases in the exchange rate of U.S. $ against other currencies is expected to be equal and opposite to the effect of the increase shown below:

2015	Increase in currency rate to U.S. $ %	Effect on profit before tax U.S. $ 000's	Effect on equity U.S. $ 000's
Israeli Shekel	+15	2,250	(1)
Other currencies	+10	489	-

2014	Increase in currency rate to U.S. $ %	Effect on profit before tax U.S. $ 000's	Effect on equity U.S. $ 000's
Israeli Shekel	+15	3,117	(2)
Other currencies	+10	612	-

– **Equity price risk**

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown below:

2015	Increase in equity price (%)	Effect on equity U.S. $ 000's
Shares listed in Palestine Securities Exchange	+10	16,161
Shares listed in other markets	+10	6,849
Shares not listed	+10	699

2014	Increase in equity price (%)	Effect on equity U.S. $ 000's
Shares listed in Palestine Securities Exchange	+10	17,309
Shares listed in other markets	+10	3,710
Shares not listed	+10	736

– **Credit risk**

PIF exposure to credit risk arises from the default of the counterparty.

PIF is currently managing its credit risks by setting credit limits for customers and continuously monitoring the accounts receivable in coordination with legal consultants. The maximum exposure of the loans and accounts receivable to the credit risk is the carrying amount of the loans granted and accounts receivable explained in notes (12) and (14).

With respect to credit risk arising from other financial assets of PIF, including cash and deposits at banks, granted loans, and other financial assets, PIF's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

– **Liquidity risk**

PIF and its subsidiaries manage liquidity risks by ensuring the availability of sufficient cash balances and credit facilities and pursuing the collection of accounts receivables.

The table below summarizes the allocation of undiscounted financial liabilities as at December 31, 2015 and December 31, 2014, based on their remaining maturity:

	U.S. $ 000's				
	Less than 3 months	3 to 12 Months	1 to 5 years	More than 5 years	Total
As at December 31,2015					
Long-term loans	2,772	5,642	33,725	1,496	43,635
Accounts payable	20,390	-	-	-	20,390
Provisions and other financial liabilities	7,158	2,675	-	-	9,833
	30,320	8,317	33,725	1,496	73,858
As at December 31, 2014					
Long-term loans	2,719	8,156	39,466	5,188	55,529
Accounts payable	20,984	-	-	-	20,984
Provisions and other financial liabilities	8,632	3,225	-	-	11,857
	32,335	11,381	39,466	5,188	88,370

35. Capital management

The primary objective of PIF's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize its Equity.

PIF and its subsidiaries manage their capital structure and make adjustments in light of changes in business conditions. No changes were made in the objectives, policies or processes during 2015 and 2014.

Capital includes paid-in share capital, retained earnings, shareholder's current account, reserves and non-controlling interest with a total of U.S. $ 714,523,000 and U.S. $ 697,765,000 as at December 31, 2015 and December 31, 2014, respectively.

36. Segment information

PIF's reporting format is business segments as PIF's risks and rates of return are affected predominantly by differences in the products and services provided. Business segments are trade and transportation, real estate investment, tourism, in addition to the investment sector. The following table presents revenue and profit information and certain asset and liability information regarding PIF's business segments for the year ended December 31, 2015:

	U.S. $ 000's					
	Investment sector	Trade and transportation	Real estate investment	Tourism	Eliminations	Total
Revenues						
External revenues	7,033	200,102	20,174	4,598	-	231,907
Inter-segment (eliminated)						
Total revenues	7,033	200,102	20,174	4,598	-	231,907
Results of operations						
Profit (loss) before tax	11,589	22,390	4,021	(399)	-	37,601
Other information						
Depreciation of property, plant and equipment	4,379	974	700	471	-	6,524
Capital expenditure	1,085	4,072	7,841	124	-	13,122
Investments in associates and a joint venture	101,935	-	728	13,332	-	115,995
Share of associates' results of operations	4,658	-	(59)	(349)	-	4,250
Share of joint venture's results of operations	(530)	-	-	-	-	(530)

The following table presents segments' assets and liabilities as of December 31, 2015:

Assets and liabilities	Investment sector	Trade and transportation	Real estate investment	Tourism	Eliminations	Total
Segment assets	704,521	64,004	148,283	23,724	(141,926)	798,606
Segment liabilities	47,220	17,796	27,251	9,759	(17,943)	84,083

The following table presents revenue and profit information and certain asset and liability information regarding PIF's business segments for the year ended December 31, 2014:

	U.S. $ 000's					
	Investment sector	Trade and transportation	Real estate investment	Tourism	Eliminations	Total
Revenues						
External revenues	8,842	173,918	20,144	4,646	-	207,550
Inter-segment (eliminated)	-	-	-	-	-	-
Total revenues	8,842	173,918	20,144	4,646	-	207,550
Results of operations						
Profit (loss) before tax	19,787	22,645	2,854	(1,263)	-	44,023
Other information						
Depreciation of property, plant and equipment	4,245	704	418	660	-	6,027
Capital expenditure	921	1,868	9,576	601	-	12,966
Investments in associates and a joint venture	96,948	-	787	9,860	-	107,595
Share of associates' results of operations	(328)	-	(41)	(219)	-	(588)
Share of joint venture's results of operations	(948)	-	-	-	-	(948)

The following table presents segments' assets and liabilities as of December 31, 2014:

Assets and liabilities						
Segment assets	715,756	46,912	157,072	19,130	(143,772)	795,098
Segment liabilities	46,556	20,744	31,230	13,048	(14,245)	97,333

37. Commitments

PIF may be exposed to liabilities associated with the liquidation of some non-operating companies of which the ownership was transferred from the shareholder to PIF.

- On July 25, 2007, PIF entered into partnership with the Overseas Private Investment Corporation (OPIC) and the Middle East Investment Initiative (MEII) to create its Loan Guarantee Facility (LGF), that aims to support the Palestinian private sector by providing guarantees for loans to small-and medium-size enterprises (SME's) throughout Palestine. PIF may be obligated to pay the guaranteed amount in case of default of the loans. As of December 31, 2015, total loans granted by local banks under this agreement amounted to U.S. $ 24.27 million. PIF's share of total guarantee provided against these loans was U.S. $ 5.31 million.
- During 2006, PIF signed a memorandum of understanding with the Palestinian Authority, represented by Palestinian Land Authority, to allow PIF to develop and establish its investment projects on the Saraya Gaza land – located in the center of Gaza and which was used as a security forces headquarter – and on another plot of land in Gaza Strip on which currently the Zahrat Al Madaen Village Bungalows was built. In return, PIF agreed to build a new building to serve as a security forces headquarter in place of the one in Saraya, and to construct a building that substitutes for the one on the Zahrat Al Madaen land currently being used for presidential purposes. The land has not been recorded in PIF's accounting records, since the terms of the agreements were not yet executed.

- PIF and its subsidiaries appear as a defendant in a number of lawsuits in the Palestinian courts which amounted to U.S. $ 6,121,000 as of December 31, 2015. PIF's management and legal counsels believe that provisions made against these litigations are sufficient.

  During 2014, the Swiss Chambers' Arbitration Institution in Switzerland notified the Palestinian Commercial Services Company (currently Sanad Construction Industries) "the company" of a request for arbitration filed by CAP Holding AG (Claimant) against the company and the Palestinian Authority (the PA). The Claimant claims a total amount of USD 1.45 billion plus interest of 5% p.a. and reimbursement of all costs incurred for the arbitration against the company and the PA jointly and severally. Given the fact that the claimant's claim against the company and PA jointly and severally is a matter of dispute, the company rejected the claim on merits. Based on the company's legal counsel, the company requested the Arbitral Tribunal to dismiss Claimant's claims in their entirety as neither the claims nor the evidentiary provided have legal grounds. Thus, no provision against this case has been recorded in the consolidated financial statements. The legal counsels of the company and PA are currently taking the appropriate legal actions.

38. Concentration of risk in geographic area

PIF and most of its subsidiaries are carrying out their activities in Palestine, in which the political and economic situations are not stable.

Notes

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